TECHNICAL BUDGET ANALYSES

26. CURRENT SERVICES ESTIMATES

Current services, or "baseline," estimates are designed to provide a benchmark against which policy proposals can be measured. A baseline is not a prediction of the final outcome of the annual budget process, nor is it a proposed budget. It can be a useful tool in budgeting, however. It can be used as a benchmark against which to measure the magnitude of the policy changes in the President's Budget or other budget proposals, and it can also be used to warn of future problems if policy is not changed, either for the Government's overall fiscal health or for individual tax and spending programs.

Ideally, a current services baseline would provide a projection of estimated receipts, outlays, deficits or surpluses, and budget authority needed to reflect this year's enacted policies and programs for each year in the future. Defining this baseline is challenging because funding for many programs in operation today expires within the 10-year budget window. Most significantly, funding for discretionary programs is provided one year at a time in annual appropriations acts. Mandatory programs are not subject to annual appropriations, but many operate under multi-year authorizations that expire within the budget window. The framework used to construct the baseline must address whether and how to project forward the funding for these programs beyond their scheduled expiration dates.

Since the early 1970s, when the first requirements for the calculation of a "current services" baseline were enacted, the baseline has been constructed using a variety of concepts and measures. Shortly after a detailed set of rules for calculating a baseline was enacted through amendments to the Balanced Budget Emergency Deficit Control Act of 1985 (BBEDCA) made by the Budget Enforcement Act of 1990 (BEA), there was a consensus to define the current services estimates according to those rules. The BBEDCA baseline rules were recently reinstated through amendments to BBEDCA enacted in the Budget Control Act of 2011 (BCA).

The Administration believes adjustments to the BBEDCA baseline are needed to better represent the deficit outlook under current policy and to serve as a more appropriate benchmark for measuring policy changes. This section provides detailed estimates of an adjusted baseline that corrects for some of the shortcomings in the BBEDCA baseline. It also discusses alternative formulations for the baseline. Table 26–1 shows estimates of receipts, outlays, and deficits under the Administration's adjusted baseline for 2012 through 2023. The estimates are based on the economic assumptions described later in this chapter. They are shown on a unified budget basis; i.e., the off-budget receipts and outlays of the Social Security trust funds and the Postal Service Fund are added to the on-budget receipts and outlays to calculate the unified budget totals. The table also shows the Administration's estimates by major component of the Budget. Estimates based on the BBEDCA baseline rules are shown as a memorandum in the table.

Conceptual Basis for Estimates

Receipts and outlays are divided into two categories that are important for calculating the baseline: those controlled by authorizing legislation (direct spending and receipts) and those controlled through the annual appropriations process (discretionary spending). Different estimating rules apply to each category. There are numerous alternative rules that could be used to develop current services estimates for both categories. The next section discusses some alternatives that might be considered.

Direct spending and receipts.—Direct spending includes the major entitlement programs, such as Social Security, Medicare, Medicaid, Federal employee retirement, unemployment compensation, and the Supplemental Nutrition Assistance Program (SNAP). It also includes such programs as deposit insurance and farm price and income supports, where the Government is legally obligated to make payments under certain conditions. Receipts and direct spending are alike in that they involve ongoing activities that generally operate under permanent or longstanding authority, and the underlying statutes generally specify the tax rates or benefit levels that must be collected or paid, and who must pay or who is eligible to receive benefits.

The baseline generally—but not always—assumes that receipts and direct spending programs continue in the future as specified by current law. The budgetary effects of anticipated regulatory and administrative actions that are permissible under current law are also reflected in the estimates. Exceptions to this general rule are described below:

- Consistent with the BBEDCA, expiring excise taxes dedicated to a trust fund are assumed to be extended at current rates. During the projection period of 2013 through 2023, the taxes affected by this exception are taxes deposited in the Airport and Airway Trust Fund, which expire on September 30, 2015; taxes deposited in the Highway Trust Fund, the Leaking Underground Storage Tank Trust Fund, and the Sport Fish Restoration and Boating Trust Fund, which expire on September 30, 2016; tobacco assessments deposited in the Tobacco Trust Fund, which expire on September 30, 2014; taxes deposited in the Oil Spill Liability Trust Fund, which expire on December 31, 2017; and taxes deposited in the Patient-Centered Outcomes Research Trust Fund, which expire on September 30, 2019.

- The BBEDCA requires temporary direct spending programs that were enacted before the Balanced Budget Act of 1997 to be extended if their current year outlays exceed $50 million. For example, the Supplemental Nutrition Assistance Program is scheduled to expire at the end of 2013. The baseline estimates provided here assume continuation of this program through the projection period. For programs enacted since the Balanced Budget Act of 1997, programs that are explicitly temporary in nature expire in the baseline even if their current year outlays exceed the $50 million threshold. For example, the tobacco buyout payments from the Tobacco Trust Fund enacted in the Fair and Equitable Tobacco Reform Act of 2004 are scheduled to expire in 2014 even though current year outlays are estimated to be $960 million, and even though the receipts used to finance these payments are assumed to be continued in the baseline as noted in the previous bullet.
- The following tax credits provided to individuals and families under the American Recovery and Reinvestment Act of 2009 (ARRA), which were extended through 2017 by the American Taxpayer Relief Act of 2012 (ATRA), are further extended through 2023 in the adjusted baseline: increased refundability of the child tax credit, expansions in the earned income tax credit (EITC) for larger families and married taxpayers filing a joint return, and the American opportunity tax credit (AOTC).
- Medicare payment updates to physicians are determined under a formula, commonly referred to as the "sustainable growth rate" (SGR). This formula has called for reductions in physician payment rates since 2002, which Congress has consistently overridden for over 10 years. Under the SGR formula, physician payment rates would be reduced by nearly 25 percent in 2014. Rather than the large cuts scheduled under current law, the adjusted baseline includes the costs of expected Medicare physician payments, assuming a zero percent update for physician payment rates.
- Under the Postal Accountability and Enhancement Act of 2006 (P.L. 109-435), the United States Postal Service (USPS) is required to make specified annual payments through 2016 to the Postal Service Retiree Health Benefits (RHB) Fund in the Office of Personnel Management. These payments are designed to prefund unfunded liabilities for health costs for future Postal retirees. Starting in 2017, the USPS's remaining unfunded liability is amortized over a 40-year period. Because of its current financial challenges, the USPS defaulted on two statutory RHB payments due in 2012, totaling $11.1 billion. In its notification letter to the White House and the Congress, the USPS also indicated that, absent changes to its financial forecast (largely dependent on legislative action), it would likely default on its $5.6 billion payment due September 30, 2013. While the BBEDCA baseline shows USPS making this $5.6 billion payment in 2013 as required, the adjusted baseline does not reflect the payment being made, given the likelihood of additional default. While defaulted payments remain as outstanding statutory liabilities, any default is factored into the 40-year amortization schedule mentioned above.

Discretionary spending.—Discretionary programs differ in one important aspect from direct spending programs: the Congress provides spending authority for almost all discretionary programs one year at a time. The spending authority is normally provided in the form of annual appropriations. Absent appropriations of additional funds in the future, discretionary programs would cease to operate after existing balances were spent. If the baseline were intended strictly to reflect current law, then a baseline would reflect only the expenditure of remaining balances from appropriations laws already enacted. Instead, the BBEDCA baseline provides a mechanical definition to reflect the continuing costs of discretionary programs. Under the BBEDCA, the baseline estimates for discretionary programs in the current year are based on enacted appropriations.[1] For the budget year and beyond, the spending authority enacted in the current year is adjusted for inflation, using specified inflation rates.[2] The definition attempts to keep discretionary spending roughly level in real terms. The Administration's baseline projection is based on the following modifications to the BBEDCA baseline:

- The adjusted baseline reflects the costs of continuing the annually appropriated portion of the Pell grant program for all eligible students at the maximum award amount of $4,860 specified in existing appropriations. While the Pell program has traditionally been funded largely through discretionary appropriations, this baseline treatment reflects the reality that the program has effectively operated as an entitlement, in which funding is provided to meet the specified award level for all eligible students.
- The adjusted baseline reflects the discretionary "caps" enacted in the BBEDCA, as amended by the BCA, which limit the amount of discretionary budget authority that can be provided through the annual appropriations process. (Chapter 12 of this volume, "Budget Concepts," provides more information on the effects of the BBEDCA, as amended by the BCA.)

[1] When current year appropriations have not been enacted, as was the case when this Budget was prepared, the BBEDCA requires the baseline estimates for discretionary spending and collections for the current year to be based on the levels provided in the full-year continuing resolution or the annualized level of the part-year continuing resolution.

[2] The Administration's baseline uses the same inflation rates for discretionary spending as required by the BBEDCA, despite the fact that this allows for an overcompensation for Federal pay inherent in the BBEDCA definition. At the time the BEA was enacted, it failed to account for the nearly contemporaneous enactment of the Federal Employees Compensation Act of 1991 that shifted the effective date of Federal employee pay raises from October to January. This oversight was not corrected when the baseline definition was reinstated by the BCA amendments to BBEDCA. Correcting for this error would have only a small effect on the discretionary baseline.

Table 26–1. CATEGORY TOTALS FOR THE ADJUSTED BASELINE
(In billions of dollars)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Receipts	2,450	2,712	3,000	3,277	3,476	3,660	3,865	4,097	4,325	4,559	4,785	5,045
Outlays:												
Discretionary:												
Defense	671	630	574	608	614	624	634	645	663	679	725	758
Non-defense	614	596	592	576	576	580	585	596	609	623	656	679
Subtotal, discretionary	1,285	1,226	1,166	1,184	1,190	1,204	1,219	1,241	1,272	1,302	1,381	1,438
Mandatory:												
Social Security	768	812	860	911	965	1,022	1,081	1,144	1,210	1,277	1,350	1,427
Medicare	466	498	519	546	597	614	639	702	756	813	902	941
Medicaid and CHIP	260	276	314	339	367	385	399	422	446	473	501	535
Other mandatory	539	595	543	572	598	612	629	670	692	729	789	804
Subtotal, mandatory	2,032	2,182	2,235	2,368	2,527	2,633	2,749	2,938	3,105	3,292	3,542	3,706
Disaster costs [1]	0	1	5	7	8	9	9	10	10	10	10	10
Net interest	220	222	222	252	298	370	459	544	616	677	741	804
Total, outlays	3,537	3,632	3,627	3,812	4,023	4,216	4,437	4,733	5,003	5,282	5,674	5,959
Unified deficit(+)/surplus(–)	1,087	919	627	536	547	556	571	637	678	723	889	913
On-budget	1,149	953	646	543	550	548	556	612	632	672	819	817
Off-budget	–62	–33	–19	–7	–3	8	16	25	46	52	70	96
Memorandum:												
BEA baseline deficit	1,087	912	687	655	698	728	764	815	869	928	1,041	1,041
Adjustments to reflect current tax policies	0	0	0	0	0	0	2	30	31	32	33	33
Adjustments to reflect current spending policies and disasters	0	7	19	27	36	36	34	38	40	42	45	45
Set discretionary budget authority at cap levels	0	*	–20	–34	–43	–48	–53	–57	–62	–68	–71	–74
Reflect Joint Committee enforcement	0	0	–50	–86	–101	–105	–107	–108	–108	–109	–48	–15
Remove non-recurring emergency costs	0	0	–9	–27	–40	–46	–50	–52	–55	–56	–58	–59
Related debt service	0	*	–*	–*	–2	–8	–18	–29	–37	–46	–53	–58
Adjusted baseline deficit	1,087	919	627	536	547	556	571	637	678	723	889	913

* $500 million or less.

[1] These amounts represent the probability of major disasters requiring Federal assistance for relief and reconstruction. Such assistance might be provided in the form of discretionary or mandatory outlays or tax relief. These amounts are included as outlays for convenience.

- The BBEDCA caps also allow for adjustments for disaster relief spending and for emergency requirements. The adjusted baseline does not reflect funding under the disaster relief or emergency cap adjustments beyond what has already been enacted for 2013. (See discussion of additional disaster funding below.) While the BBEDCA baseline projects forward the enacted supplemental appropriations for Superstorm Sandy, increased by the BBEDCA inflation rates, the adjusted baseline removes this extrapolation.[3]

Reclassification of transportation spending. — To provide an appropriate baseline for assessing the budgetary impact of the Administration's proposal for a five-year, $40 billion rail reauthorization, the adjusted baseline reclassifies Federal subsidies for the National Railroad Passenger Corporation (Amtrak) that will be included in the more comprehensive rail reauthorization from discretionary to mandatory. The Administration proposes to fund this proposal with mandatory Contract Authority (with associated mandatory outlays) out of a new Rail Account of an expanded Transportation Trust Fund (formerly Highway Trust Fund). This reclassification, which is a zero-sum shift of outlays from the discretionary category to the mandatory category, provides a more transparent presentation of the difference between baseline levels and the rail proposal, and allows accounting for the proposal under the PAYGO system of budget enforcement.

Disaster funding. — An allowance for the possible future costs of major natural or man-made disasters during the remainder of 2013 and in subsequent years is assumed in the Administration's baseline in order to make budget totals more realistic. Baselines would be more meaningful if they did not project forward whatever disaster funding happened to have been provided in the current year. Rather, baselines should replace the projection of enacted current-year funding—which might be unusually low or unusually high—with plausible estimates of future costs.

Joint Committee Enforcement. — Because the Joint Select Committee process under Title IV of the BCA did

[3] The BBEDCA caps also allow for adjustments for program integrity activities and Overseas Contingency Operations (OCO). The adjusted baseline reflects enacted funding for these cap adjustments inflated at the specified inflation rates in the BBEDCA baseline.

not result in enactment of legislation that reduces the deficit by at least $1.2 trillion, the BCA stipulates that, absent intervening legislation, enforcement procedures will be invoked on an annual basis to reduce the levels of discretionary and mandatory spending to accomplish deficit reduction. The reductions pursuant to the sequestration orders for 2013 and 2014 are already reflected in the BBEDCA baseline for the affected accounts. The adjusted baseline reflects the future enforcement procedures for discretionary cap reductions in 2014 onward and mandatory sequestrations for 2015 and beyond in the form of an allowance in the amount of the required reductions in spending.

Economic Assumptions. — As discussed, baselines can be used as a benchmark against which policy proposals are measured. However, this purpose is achieved only if the policies and the baseline are constructed under the same set of economic and technical assumptions. For this reason, the Administration uses the same assumptions – for example, the same inflation assumptions – in preparing its current service estimates and its Budget.

Alternative Formulations of Baseline

Throughout much of U.S. history, congressional budget proposals were often compared with either the President's request or the previous year's budget. In the early 1970s, policymakers developed the concept of a baseline to provide a more neutral benchmark for comparisons. While the Congressional Budget Act of 1974 included a requirement that OMB and the Congressional Budget Office (CBO) provide estimates of a current services baseline, the definition of the baseline was very general and specific guidance was not provided.

Subsequent budget laws have specified in increasing detail the requirements for constructing baselines. Current services estimates for direct spending programs and receipts are generally estimated based on laws currently in place and most major programs are assumed to continue even past sunset dates set in law. In the case of receipts, the BBEDCA requires only the extension of trust fund excise taxes, but otherwise bases the estimates on current law. For discretionary programs, these acts instituted a precise definition of the baseline with numerous rules for its construction.

It is clear, however, that a number of baseline definitions could be developed that differ from those presented in this chapter:

- *Extend provisions affecting mandatory programs.* Currently, mandatory programs that have outlays of over $50 million in the current year are generally assumed to continue, unless the programs are explicitly temporary. With the exception of current Medicare physician payment rates, individual provisions of law that affect mandatory programs are assumed to expire as scheduled. If instead, these expiring provisions were extended, baseline outlays would be higher. For example, the cost of extending Qualified Individuals (QI), a component of the Medicaid program that pays Medicare Part B premiums for certain low-income seniors and is scheduled to expire at the end of December, 2013, would be $11.9 billion over 2014-2023.
- *Do not extend any authorizing laws that expire.* If all mandatory programs were assumed to expire as scheduled, deficits for 2014 through 2023 would be $1,443 billion lower than in the Administration's baseline, including debt service. (See the section below on major program assumptions for additional information on mandatory program extensions assumed in the estimates.) If excise taxes dedicated to trust funds were assumed to expire as scheduled under current law, the deficit would be $484 billion higher over the period 2014 through 2023, including debt service. If the tax relief provided to individuals and families that was extended only through taxable year 2017 under ATRA was assumed to expire, the deficit would be $177 billion lower over the 10 years.
- *Account for inflation and population growth.* While the baseline assumes that discretionary budgetary resources are constrained by the BBEDCA caps and Joint Committee enforcement, an alternative would

Table 26–2. ALTERNATIVE BASELINE ASSUMPTIONS

(In billions of dollars)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Totals 2014–2018	Totals 2014–2023
Adjusted baseline deficit	919	627	536	547	556	571	637	678	723	889	913	2,837	6,678
Alternative assumptions ("+" represents deficit increase): [1]													
Do not extend any authorizing laws:													
Mandatory spending	–20	–99	–108	–114	–128	–141	–152	–161	–171	–180	–189	–591	–1,443
Trust fund excise taxes	....	....	1	14	56	59	63	67	71	75	78	130	484
ATRA tax credit extensions	....	....	....	....	....	–2	–31	–33	–35	–37	–40	–2	–177
Medicare physician payment relief	0	–15	–21	–23	–24	–25	–30	–33	–37	–41	–43	–108	–292
Account for inflation and population growth	–*	77	127	159	187	217	249	281	315	300	309	766	2,221
Do not extend any appropriations	....	–571	–960	–1,104	–1,211	–1,328	–1,446	–1,551	–1,650	–1,801	–1,933	–5,173	–13,552

* $500 million or less.

[1] Includes costs or savings from debt service.

be to assume growth with inflation and population, so that real resources per person (or the real cost per person of funding these programs) remains constant over time. Such an alternative would increase total outlays by $77 billion in 2014 and $2,221 billion over the period 2014-2023 relative to the baseline, including costs from debt service.

- *Do not extend any appropriations.* Discretionary spending continues in the BBEDCA baseline whether there is authorization for the program or not and whether funds have already been provided or not. In nearly all cases, funds for discretionary programs have not been provided in advance for years beyond the current year. If instead the baseline were constructed using a strict "current law" approach, the only discretionary outlays that would be included in the baseline would be the lagged spending from budgetary resources already provided in the current year or past years; otherwise, no new budgetary resources would be provided. If this rule were followed, outlays in 2014 would be reduced by $571 billion relative to the Administration's baseline, which includes savings from debt service. However, clearly this would provide an unrealistic estimate of future spending and the Government's future fiscal position.

Table 26–2 provides estimates, including effects on debt service, for a variety of changes in baseline definitions that could be considered.

Economic Assumptions

The estimates for the baseline are prepared using the same economic assumptions as the President's Budget. These assumptions are based on enactment of the President's Budget proposals. The economy and the budget interact. Changes in economic conditions significantly alter the estimates of tax receipts, unemployment benefits, entitlement payments that receive automatic cost-of-living adjustments (COLAs), income support programs for low-income individuals, and interest on the Federal debt. In turn, Government tax and spending policies influence prices, economic growth, consumption, savings, and investment. Because of these interactions, it would be reasonable, from an economic perspective, to assume different economic paths for the baseline projection and the President's Budget. However, this would diminish the value of the baseline estimates as a benchmark for measuring proposed policy changes, because it would then be difficult to separate the effects of proposed policy changes from the effects of different economic assumptions. By using the same economic assumptions for the baseline and the President's Budget, this potential source of confusion is eliminated. The economic assumptions underlying the Budget and the Administration's baseline are summarized in Table 26–3. The economic outlook underlying these assumptions is discussed in greater detail in Chapter 2 of this volume.

Table 26–3. SUMMARY OF ECONOMIC ASSUMPTIONS
(Fiscal years; dollar amounts in billions)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Gross Domestic Product (GDP):												
Levels, dollar amounts in billions:												
Current dollars	15,704.8	16,383.8	17,234.8	18,180.6	19,192.1	20,247.3	21,275.2	22,247.1	23,219.4	24,216.4	25,252.5	26,330.8
Real, chained (2005) dollars	13,600.0	13,907.1	14,357.5	14,863.7	15,398.8	15,943.4	16,441.4	16,872.6	17,282.6	17,691.6	18,103.8	18,525.7
Percent change, year over year:												
Current dollars	4.2	4.3	5.2	5.5	5.6	5.5	5.1	4.6	4.4	4.3	4.3	4.3
Real, chained (2005) dollars	2.3	2.3	3.2	3.5	3.6	3.5	3.1	2.6	2.4	2.4	2.3	2.3
Inflation measures (percent change, year over year):												
GDP chained price index	1.9	2.0	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9
Consumer price index (all urban)	2.1	2.1	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
Unemployment rate, civilian (percent)	8.1	7.7	7.2	6.7	6.2	5.7	5.5	5.4	5.4	5.4	5.4	5.4
Interest rates (percent):												
91-day Treasury bills	0.1	0.1	0.2	0.4	1.3	2.3	3.2	3.6	3.7	3.7	3.7	3.7
10-year Treasury notes	1.8	2.0	2.6	3.1	3.7	4.1	4.4	4.6	4.8	5.0	5.0	5.0
MEMORANDUM:												
Related program assumptions:												
Automatic benefit increases (percent):												
Social security and veterans pensions	3.6	1.7	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
Federal employee retirement	3.6	1.7	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
Food stamps [1]	0.0	0.0	–5.5	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
Insured unemployment rate	2.7	2.6	2.5	2.4	2.3	2.2	2.1	2.1	2.1	2.1	2.1	2.1

[1] Enhanced Thrifty Food Plan (TFP) benefits provided by the Recovery Act (P.L. 111–5) are set to expire on October 31, 2013. Benefits will return to regular levels and will be updated annually based on the TFP from the proceeding June.

Major Programmatic Assumptions

A number of programmatic assumptions must be made in order to calculate the baseline estimates. These include assumptions about annual cost-of-living adjustments in the indexed programs and the number of beneficiaries who will receive payments from the major benefit programs. Assumptions about various automatic cost-of-living-adjustments are shown in Table 26–3, and assumptions about baseline caseload projections for the major benefit programs are shown in Table 26–4. These assumptions affect baseline estimates of direct spending for each of these programs, and they also affect estimates of the discretionary baseline for a limited number of programs. For Pell Grants and the administrative expenses for Medicare, Railroad Retirement, and unemployment insurance, the discretionary baseline is increased (or decreased) for changes in the number of beneficiaries in addition to the adjustments for inflation described earlier.[4]

It is also necessary to make assumptions about the continuation of expiring programs and provisions. As explained above, in the baseline estimates provided here, expiring excise taxes dedicated to a trust fund are extended at current rates. Certain tax relief provided to individuals and families only through taxable year 2017 is assumed to be permanent for purposes of calculating revenue estimates. Medicare payments to physicians are assumed to be maintained at their current payment rates. In general, mandatory programs with spending of at least $50 million in the current year are also assumed to continue, unless the programs are explicitly temporary in nature. For example, under the Fair and Equitable Tobacco Reform Act of 2004, tobacco buyout payments will expire in 2014, even though current year outlays are $960 million. Table 26–5 provides a listing of mandatory programs and taxes assumed to continue in the baseline after their expiration. All discretionary programs with enacted non-emergency appropriations in the current year and the 2013 costs for overseas contingency operations in Iraq and Afghanistan and other recurring international activities are assumed to continue.

Many other important assumptions must be made in order to calculate the baseline estimates. These include assumptions about the timing and substance of regulations that will be issued over the projection period, the use of administrative discretion provided under current law, and other assumptions about the way programs operate. Table 26–5 lists many of these assumptions and their effects on the baseline estimates. It is not intended to be an exhaustive listing; the variety and complexity of Government programs are too great to provide a complete list. Instead, some of the more important assumptions are shown.

[4] Although these adjustments are applied at the account level, they have no effect in the aggregate because baseline levels are constrained to the BBEDCA caps.

Current Services Receipts, Outlays, and Budget Authority

Receipts.—Table 26–6 shows the Administration's baseline receipts by major source. Total receipts are projected to increase by $288 billion from 2013 to 2014, by $865 billion from 2014 to 2018, and by $1,180 billion from 2018 to 2023. These increases are largely due to assumed increases in incomes resulting from both real economic growth and inflation.

Individual income taxes are estimated to increase by $124 billion from 2013 to 2014, by $542 billion from 2014 to 2018, and by $660 billion from 2018 to 2023 under baseline assumptions. This average annual rate of growth of 7.3 percent between 2014 and 2023 is primarily the effect of increased collections resulting from rising aggregate personal incomes.

Corporation income taxes are estimated to increase by $47 billion from 2013 to 2014, by $111 billion from 2014 to 2018, and by $76 billion from 2018 to 2023 under baseline assumptions. This average annual rate of growth of 5.1 percent between 2014 and 2023 is primarily attributable to growth in corporate profits.

Social insurance and retirement receipts are estimated to increase by $81 billion from 2013 to 2014, by an additional $235 billion between 2014 and 2018, and by an additional $325 billion between 2018 and 2023. These baseline estimates reflect expiration of the two-percentage point payroll tax holiday on December 31, 2012, increases in total wages and salaries paid, and scheduled increases in the Social Security taxable earnings base from $113,700 in 2013 to $134,400 in 2018 and to $165,000 in 2023, as shown in Table 26-7.

Other baseline receipts (excise taxes, estate and gift taxes, customs duties and miscellaneous receipts) are projected to increase by $36 billion between 2013 and 2014, and to rise to $371 billion by 2023.

Outlays.—Outlays in the Administration's baseline are estimated to decrease from $3,632 billion in 2013 to $3,627 billion in 2014, a 0.1 percent decrease. Between 2013 and 2018, the baseline outlays are projected to increase at an average annual rate of 4.1 percent, and between 2013 and 2023 are projected to increase at an average annual rate of 5.1 percent. Table 26–8 shows the growth from 2013 to 2014 and average annual growth over the five-year and ten-year periods for certain discretionary and major mandatory programs.

Discretionary budget authority is assumed to be capped at the levels specified in the BCA, including the limited upward adjustments specified in previous sections of this chapter, and reduced for estimated Joint Committee enforcement. Outlays for discretionary programs decrease by 4.9 percent from $1,226 billion in 2013 to $1,166 billion in 2014, largely due to the effects of Joint Committee enforcement in 2014, which are larger than the reductions for 2013, and reductions in OCO funding. Discretionary outlays decrease at an average annual rate of 0.1 percent from 2013 to 2018 and increase at an average annual rate of 1.6 percent from 2013 to 2023.

Entitlement and other mandatory programs are estimated to increase by 2.4 percent from $2,182 billion in 2013 to $2,235 billion in 2014. Several programs show notable outlay growth between 2013 and 2014: outlays for Medicaid, Medicare, and other health care programs increase by 11.5 percent; outlays for veterans programs increase by 6.2 percent; Social Security outlays increase by 5.8 percent; and Federal employee retirement and disability outlays increase by 4.2 percent. These increases are offset by reduced spending on unemployment compensation (29.4 percent), farm programs (19.1 percent), other income security programs (3.5 percent), and other mandatory programs (104.2 percent). The outlay reduction from 2013 to 2014 for other mandatory programs is largely due to projected increases in the dividends received by Treasury under Preferred Stock Purchase Agreements with Fannie Mae and Freddie Mac; a $5.7 billion projected refund of prepaid FDIC Deposit Insurance Fund assessments in 2013 followed by the revival of cash assessments following several years of prepaid Fund premiums in 2014; and elevated spending in 2013 for the National Flood Insurance Program to pay claims related to Superstorm Sandy.

Mandatory outlays increase each year after 2013, reaching $3,706 billion in 2023, which is due mostly to increased spending on Medicaid, Medicare, other health care programs, veterans programs and Social Security. Over the same time period, outlays for unemployment compensation decline at an average annual rate of 4.2 percent. Net interest payments are projected to increase at an average annual rate of 13.7 percent from $222 billion in 2013 to $804 billion in 2023 due to increases in the amount of debt outstanding and to the average interest rate on the debt.

Tables 26–9 and 26–10 show the Administration's baseline outlays by function and by agency, respectively. A more detailed presentation of outlays (by function, category, subfunction, and program) is available as Table 26–13 online at *www.whitehouse.gov/omb/budget/Analytical_Perspectives* and on the Budget CD-ROM.

Budget authority.—Tables 26–11 and 26–12 show estimates of budget authority in the Administration's baseline by function and by agency, respectively. A more detailed presentation of budget authority with program level estimates is also part of Table 26–13 online at *www.whitehouse.gov/omb/budget/Analytical_Perspectives* and on the Budget CD-ROM.

Table 26–4. BASELINE BENEFICIARY PROJECTIONS FOR MAJOR BENEFIT PROGRAMS
(Annual average, in thousands)

	Actual 2012	Estimate 2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Farmers receiving Federal payments	1,329	1,322	1,315	1,308	1,301	1,294	1,288	1,282	1,276	1,270	1,264	1,258
Federal direct student loans	11,270	11,089	11,420	11,773	12,139	12,517	12,908	13,314	13,735	14,171	14,622	15,090
Federal Pell Grants	8,965	9,171	9,373	9,515	9,660	9,771	9,874	10,044	10,153	10,276	10,390	10,515
Medicaid/Children's Health Insurance Program	63,155	63,276	71,658	76,997	79,939	79,963	78,868	79,167	80,362	80,901	81,448	82,005
Medicare-eligible military retiree health benefits	2,183	2,230	2,266	2,293	2,317	2,344	2,367	2,390	2,413	2,435	2,457	2,480
Medicare:												
Hospital insurance	49,856	51,490	53,109	54,742	56,361	57,998	59,665	61,370	63,122	64,908	66,729	68,576
Supplementary medical insurance:												
Part B	46,011	47,540	48,990	50,424	51,848	53,283	54,748	56,249	57,844	59,448	61,075	62,737
Part D	36,962	37,996	39,032	40,138	41,187	42,232	43,321	44,440	45,841	47,153	48,427	49,734
Prescription Drug Plans and Medicare Advantage:												
Prescription Drug Plans	31,230	34,541	36,736	38,477	40,203	41,403	42,468	43,563	44,939	46,226	47,474	48,755
Retiree Drug Subsidy	5,732	3,455	2,296	1,661	984	830	853	877	902	928	953	980
Managed Care Enrollment [1]	13,202	14,546	14,868	14,195	13,447	12,644	12,477	12,820	13,308	13,894	14,541	15,179
Railroad retirement	566	565	562	559	556	551	547	542	536	529	521	512
Federal civil service retirement	2,544	2,564	2,604	2,619	2,636	2,654	2,672	2,692	2,712	2,733	2,753	2,774
Military retirement	2,237	2,253	2,264	2,273	2,282	2,291	2,300	2,309	2,318	2,329	2,340	2,350
Unemployment insurance	8,893	8,970	9,172	9,095	8,940	8,740	8,561	8,475	8,464	8,481	8,503	8,525
Supplemental Nutrition Assistance Program (formerly Food Stamps)	46,609	47,105	44,734	42,629	40,656	38,755	36,979	35,373	34,046	33,173	32,616	32,274
Child nutrition	35,034	35,401	35,775	36,097	36,424	36,756	37,093	37,434	37,781	38,132	38,489	38,852
Foster care, Adoption Assistance and Guardianship Assistance	598	609	622	638	653	670	690	710	730	753	773	797
Supplemental security income (SSI):												
Aged	1,094	1,092	1,103	1,115	1,129	1,145	1,163	1,183	1,207	1,232	1,258	1,286
Blind/disabled	6,846	7,011	7,119	7,219	7,282	7,307	7,322	7,338	7,368	7,386	7,409	7,440
Total, SSI	7,940	8,103	8,222	8,334	8,411	8,452	8,485	8,521	8,575	8,618	8,667	8,726
Child care and development fund [2]	2,271	2,230	2,258	2,240	2,160	2,056	1,957	2,021	1,958	1,897	1,838	1,773
Social security (OASDI):												
Old age and survivor insurance	45,066	46,371	47,782	49,263	50,825	52,439	54,084	55,760	57,468	59,013	60,601	62,198
Disability insurance	10,700	10,946	11,125	11,280	11,415	11,526	11,607	11,670	11,726	11,840	11,969	12,087
Total, OASDI	55,766	57,318	58,907	60,543	62,240	63,965	65,691	67,430	69,194	70,853	72,571	74,285
Veterans compensation:												
Veterans	3,440	3,648	3,846	4,016	4,174	4,322	4,456	4,579	4,698	4,812	4,922	5,027
Survivors (non-veterans)	348	355	365	375	387	399	412	425	439	452	466	480
Total, Veterans compensation	3,788	4,003	4,211	4,391	4,561	4,721	4,868	5,004	5,137	5,264	5,388	5,507
Veterans pensions:												
Veterans	314	314	315	315	316	316	316	317	317	317	318	318
Survivors (non-veterans)	204	202	202	202	202	203	203	203	203	203	203	203
Total, Veterans pensions	518	516	517	517	518	519	519	520	520	520	521	521

[1] Enrollment figures include only beneficiaries who receive both Part A and Part B services through managed care.

[2] Assumes CCDF reauthorization proposed in President's Budget and includes children served through the CCDF (including TANF transfers) and through funds spent directly on child care in the Social Services Block Grant and TANF programs.

Table 26–5. IMPACT OF REGULATIONS, EXPIRING AUTHORIZATIONS, AND OTHER ASSUMPTIONS IN THE BASELINE
(Outlays in millions of dollars)

	Estimate										
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
EXPIRING AUTHORIZATIONS											
Programs Extended in the Adjusted Baseline											
Spending:											
Agriculture:											
Natural Resources Conservation Service (NRCS):											
Environmental Quality Incentives Program	....	....	1,625	1,684	1,723	1,745	1,750	1,750	1,750	1,750	1,750
Wildlife Habitat Incentives Program	....	....	69	74	78	80	82	84	85	85	85
Farm and Ranch Land Protection Program	....	....	187	193	199	200	200	200	200	200	200
Conservation Stewardship Program	....	....	1,177	1,585	1,830	2,110	2,377	2,643	2,429	2,437	2,454
Chesapeake Bay Watershed Initiative	....	18	11	3	....	....	....	....	....	....	....
Conservation Reserve Program	....	32	28	25	21	18	16	11	7	3	3
Farm Service Agency (FSA) Programs:											
Agricultural Commodity Marketing Loans	....	46	19	22	29	4	18	5	12	4	3
Conservation Reserve Program	....	11	59	201	315	423	556	623	709	920	1,080
Dairy Product Price Support Program	....	31	29	27	24	22	20	17	16	14	12
Agricultural Commodity Counter-Cyclical Program	....	....	....	40	32	25	20	15	12	7	....
Average Crop Revenue Election (ACRE) Program	....	....	....	1,818	184	11	14	11	13	10	12
Direct Crop Payments	....	....	4,945	4,945	4,944	4,989	4,978	4,975	4,971	4,967	4,991
Market Access Program -- FAS	....	32	178	200	200	200	200	200	200	200	200
Forest Service (FS):											
Federal Lands Recreation Enhancement Fund	....	....	....	....	....	....	....	....	....	....	....
Child Nutrition Programs:											
State Administrative Expenses	....	....	....	273	279	284	290	297	305	316	326
Summer Food Service Program	....	....	....	514	542	570	600	632	665	700	738
NSLP Commodity Support (Bonus - Section 6(e)(1)(B) of NSLA)	....	....	....	....	....	....	....	....	100	100	100
Supplemental Nutrition Assistance Program (SNAP) (formerly Food Stamps)	....	74,058	72,300	71,262	70,270	69,364	68,594	68,172	68,511	67,640	67,141
Education:											
Rehabilitation Services and Disability Research	....	3,302	3,375	3,449	3,525	3,602	3,682	3,763	3,845	3,930	4,016
Health and Human Services:											
Centers for Medicare & Medicaid Services:											
Children's Health Insurance Program	....	....	....	....	9,100	6,400	5,900	5,800	5,700	5,700	5,700
Administration for Children and Families:											
Child Care Entitlements to States	2,908	2,915	2,917	2,917	2,917	2,917	2,917	2,917	2,917	2,917	2,917
Promoting Safe and Stable Families	....	....	....	....	93	270	317	338	345	345	345
TANF	16,835	16,981	17,182	16,817	16,722	16,722	16,722	16,722	16,722	16,722	16,722
Contingency Fund	....	....	612	612	612	612	612	612	612	612	612
Homeland Security:											
National Flood Insurance Fund	....	....	....	....	....	6,266	6,396	6,537	6,844	6,996	7,153
Interior:											
Federal Land Recreation and Enhancement Act	....	....	–17	1	1	0	–1	–1	0	–2	–1
Sport Fish Restoration and Boating Trust Fund [1]	460	427	443	454	473	497	522	547	574	600	627
Labor:											
Trade Adjustment Assistance for Workers	....	....	32	241	410	484	528	568	607	643	675
Veterans Affairs:											
Veterans Compensation Cost of Living Adjustment	....	1,033	2,385	3,870	5,469	7,183	9,006	10,942	12,996	15,169	17,448
Revenues:											
Airport and Airway Trust Fund Taxes	....	....	....	12,755	13,293	13,817	14,272	14,703	15,157	15,615	16,103
Highway Trust Fund Taxes	....	....	....	....	40,049	40,290	40,468	40,582	40,965	41,349	41,447
Leaking Underground Storage Tank (LUST) Trust Fund Taxes	....	....	....	....	183	183	181	179	178	179	177

Table 26–5. IMPACT OF REGULATIONS, EXPIRING AUTHORIZATIONS, AND OTHER ASSUMPTIONS IN THE BASELINE—Continued

(Outlays in millions of dollars)

	Estimate										
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Oil Spill Liability Trust Fund Taxes	....	....	....	....	....	404	533	529	523	521	536
Sport Fish Restoration and Boating Safety Trust Fund Taxes [3]	....	....	....	....	634	663	694	725	754	785	816
Tobacco Assessment	....	....	960	960	960	960	960	960	960	960	960
Fee on Insured and Self Insured Plans	....	....	....	....	....	....	....	538	572	608	648
Programs and Provisions Not Extended in the Adjusted Baseline											
Spending:											
Agriculture:											
Departmental Management/Office of Advocacy and Outreach:											
Outreach and Technical Assistance for Socially Disadvantaged Farmers and Ranchers	20	20	20	20	20	20	20	20	20	20	20
Sec. 9002 Biobased Markets Program	....	2	2	2	2	2	2	2	2	2	2
Sec. 9006 Biodiesel Fuel Education Program	....	1	1	1	1	1	1	1	1	1	1
Farm Service Agency (FSA) Programs:											
Biomass Crop Assistance Program (BCAP)	....	20	20	20	20	20	20	20	20	20	20
Voluntary Public Access	....	10	10	10	10	10	10	10	10	10	10
Disaster Relief Fund	....	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Natural Resources Conservation Service (NRCS):											
Healthy Forests Reserve Program	....	11	12	13	13	13	13	13	13	13	13
Grasslands Reserve Program	....	67	67	67	67	67	67	67	67	67	67
Wetlands Reserve Program	....	386	218	123	77	68	84	65	65	65	45
National Institute of Food and Agriculture (NIFA):											
Beginning Farmers and Ranchers Development Program	....	2	10	19	19	19	19	19	19	19	19
Organic Agriculture Research and Extension Iniitative	....	1	8	13	20	20	20	20	20	20	20
Specialty Crop Research Initiative	....	3	20	33	50	50	50	50	50	50	50
Animal and Plant Health Inspection Service:											
National Clean Plant Network	....	2	5	5	5	5	5	5	5	5	5
Agricultural Marketing Service:											
Farmers Market Promotion Program (2008 Farm Bill, Sec. 10106)	....	10	10	10	10	10	10	10	10	10	10
Specialty Crop Block Grants Program (2008 Farm Bill, Sec. 10109)	....	55	55	55	55	55	55	55	55	55	55
Rural Business-Cooperative Service:											
Rural Energy for America Program	....	60	65	68	70	70	70	70	70	70	70
Bioenergy Program for Advanced Biofuels	....	105	105	105	105	105	105	105	105	105	105
Value Added Agricultural Market Development Program	....	10	13	14	14	15	15	15	15	15	15
Repowering Assistance Program	....	35	35	35	35	35	35	35	35	35	35
Biorefinery Assistance Program	....	164	245	245	245	245	245	245	245	245	245
Rural Microentrepreneur Assistance Program	....	1	2	2	3	3	3	3	3	3	3
Trade Assistance Programs:											
Foreign Market Development (Cooperator) Program	....	18	34	35	35	35	35	35	35	35	35
Technical Assistance Specialty Crops	....	....	4	8	9	9	9	9	9	9	9
Emerging Markets	....	....	6	8	10	10	10	10	10	10	10
Forest Service (FS):											
Forest County Safety Net Payments (Departments of Agriculture and the Interior)	....	279	262	246	231	217	203	190	178	166	155
Federal Land and Facility Enhancement Fund	....	....	....	....	23	19	20	20	20	21	21
Administration of Rights-of-Way and Other Land Uses Fund	8	9	9	9	9	9	9	10	10	10	10
Sect. 420 Sale of botanical products pilot program	....	....	2	2	2	2	2	2	2	2	2
Stewardship Contracting	....	10	10	10	10	10	10	10	10	10	10
Health and Human Services:											
TANF Supplemental Grants	....	257	319	319	319	319	319	319	319	319	319
Medicaid:											
Transitional Medical Assistance [4]	....	270	–45	–45	45	100	135	220	260	280	300
Medicare Low-Income Premium Assistance (Qualified Individuals) [4]	....	405	785	875	970	1,075	1,185	1,315	1,450	1,600	1,755

Table 26–5. IMPACT OF REGULATIONS, EXPIRING AUTHORIZATIONS, AND OTHER ASSUMPTIONS IN THE BASELINE—Continued

(Outlays in millions of dollars)

	Estimate										
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Interior:											
Oil and Gas Permit Processing Improvement Fund	....	....	....	18	17	17	16	16	15	14	14
Payments in Lieu of Taxes	....	411	419	426	434	442	449	458	466	474	482
Labor:											
Alternative Trade Adjustment Assistance	....	....	4	14	25	28	29	30	31	32	33
Social Security:											
SSI Extension for Elderly and Disabled Refugees Act (SSI)	....	46	53	....	....	....	....	....	....	....	....
OTHER IMPORTANT PROGRAM ASSUMPTIONS											
Health and Human Services:											
Children's Health Insurance Program (Title XXI):											
State allotments	9,300	9,600	10,400	14,800	12,100	7,000	6,000	5,800	5,700	5,700	5,700
Contingency fund	125	100	100	....	....	....	....	....	....	....	....
Performance bonus	330	340	....	....	....	....	....	....	....	....	....
Child health quality activities	47	53	....	....	....	....	....	....	....	....	....
Medicaid:											
Financial management reviews	–159	–182	–198	–213	–226	–239	–254	–270	–289	–307	–326
Vaccines for Children, Total program costs	3,607	4,293	4,465	4,608	4,689	4,912	5,137	5,375	5,623	5,883	6,154
Institutional long-term care	34,861	35,901	37,119	38,588	40,226	42,042	43,976	46,060	48,290	50,676	53,244
Home and community based institutional alternatives	31,759	34,373	36,738	38,452	41,099	44,310	47,487	51,018	54,842	58,888	63,183
Pharmaceuticals (FFS, net of rebates)	9,359	10,709	11,878	12,933	13,623	14,246	14,928	15,517	16,256	17,052	17,895
Managed care (Including Medicaid MCOs, PHPs, and PCCM)	66,936	83,864	98,142	110,096	119,393	129,280	139,506	148,938	159,950	171,814	184,261
Medicare:											
Contracting Reform [5]	–660	–730	–780	–840	–910	–990	–1,080	–1,180	–1,290	–1,380	–1,480
DME Competitive Bidding [5]	–470	–1,070	–1,340	–1,990	–2,450	–2,630	–2,820	–3,020	–3,250	–3,490	–3,740
LTCH payments policy for referrals from acute hospitals [5]	....	–230	–270	–290	–300	–310	–330	–350	–370	–390	–410
Medicare Administrative Savings	....	–2,000	–2,000	–2,000	–2,000	–2,000	–2,000	–2,000	–2,000	–2,000	–2,000
State Grants and Demonstrations:											
Ticket to Work Health Grant Programs:											
Infrastructure Grant Program	22	....	....	....	....	....	....	....	....	....	....
Demonstration to maintain independence and employment	*	*	....	....	....	....	....	....	....	....	....
Partnerships for Long-Term Care	3	....	....	....	....	....	....	....	....	....	....
Alternate Non-Emergency Care	1	....	....	....	....	....	....	....	....	....	....
Psychiatric Residential Treatment Demonstration	50	50	6	....	....	....	....	....	....	....	....
Money Follows the Person Program:											
Money Follows the Person (MFP) Demonstration	525	531	531	520	340	340	340	174	....	....	....
Money Follows the Person (MFP) Evaluation and Support	2	2	2	2	1	....	....	....	....	....	....
Medicaid Transformation Grants	5	....	....	....	....	....	....	....	....	....	....
Medicaid Integrity Program	96	86	88	85	87	89	91	93	94	92	92
Grants to Improve Outreach and Enrollment	18	20	26	12	1	....	....	....	....	....	....
Application of Prospective Payment system	1	....	....	....	....	....	....	....	....	....	....
Medicaid Emergency Psychiatric Demonstration	13	17	20	13	8	3	1	....	....	....	....
Incentives for Prevention of Chronic Diseases in Medicaid	35	27	17	11	3	....	....	....	....	....	....
Emergency Health Services for Undocumented Aliens	16	16	2	....	....	....	....	....	....	....	....
Katrina/Rita Support	*	....	....	....	....	....	....	....	....	....	....
Katrina Relief	*	....	....	....	....	....	....	....	....	....	....
Approved and Implemented Demonstrations and Pilot Programs:											
Medicare, HI:											
Rural Community Hospital:											
Baseline estimate	167	177	188	191	....	....	....	....	....	....	....
Demonstration estimate	196	234	248	253	....	....	....	....	....	....	....

Table 26–5. IMPACT OF REGULATIONS, EXPIRING AUTHORIZATIONS, AND OTHER ASSUMPTIONS IN THE BASELINE—Continued

(Outlays in millions of dollars)

	Estimate										
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Medicare, SMI:											
Coordinated Care Disease Management Demonstration:											
Baseline estimate	14	....	....	....	....	....	....	....	....	....	....
Demonstration estimate	14	....	....	....	....	....	....	....	....	....	....
Frontier Extended Stay Clinic Demonstration:											
Baseline estimate	1	....	....	....	....	....	....	....	....	....	....
Demonstration estimate	1	....	....	....	....	....	....	....	....	....	....
Part D Retroactive & Immediate Coverage for New Dual Eligible Individuals: [6]											
Baseline estimate	403	458	129	....	....	....	....	....	....	....	....
Demonstration estimate	403	458	128	....	....	....	....	....	....	....	....
Multi-Payer Advanced Primary Care Demo:											
Baseline estimate	116	135	....	....	....	....	....	....	....	....	....
Demonstration estimate	97	108	....	....	....	....	....	....	....	....	....
Assess Appropriate Use of Imaging Services (MIPPA sec. 135):											
Baseline estimate	5	....	....	....	....	....	....	....	....	....	....
Demonstration estimate	5	....	....	....	....	....	....	....	....	....	....
Power Mobility Device Demonstration:											
Baseline estimate	262	262	262	....	....	....	....	....	....	....	....
Demonstration estimate	242	232	242	....	....	....	....	....	....	....	....
Medicare: HI and SMI:											
Acute Care Episode Bundling Demonstration:											
Baseline estimate	76	8	....	....	....	....	....	....	....	....	....
Demonstration estimate	73	8	....	....	....	....	....	....	....	....	....
ESRD Disease Management Demonstration:											
Baseline estimate	3	....	....	....	....	....	....	....	....	....	....
Demonstration estimate	3	....	....	....	....	....	....	....	....	....	....
Home Health Third-Party Liability Demonstration:											
Baseline estimate	220	28	....	....	....	....	....	....	....	....	....
Demonstration estimate	220	28	....	....	....	....	....	....	....	....	....
Physician Group Practice Demonstration:											
Baseline estimate	331	....	....	....	....	....	....	....	....	....	....
Demonstration estimate	356	....	....	....	....	....	....	....	....	....	....
PACE for Profit:											
Baseline estimate	31	43	....	....	....	....	....	....	....	....	....
Demonstration estimate	31	43	....	....	....	....	....	....	....	....	....
Medicare Health Care Quality Demonstration Programs:											
Baseline estimate	4,913	3,917	....	....	....	....	....	....	....	....	....
Demonstration estimate	4,753	3,810	153	....	....	....	....	....	....	....	....
Nursing Home Value Based Purchasing Demonstration:											
Baseline estimate	....	....	....	....	....	....	....	....	....	....	....
Demonstration estimate	17	....	....	....	....	....	....	....	....	....	....
Medicare Advantage Quality Bonus Payment Demonstration:											
Baseline estimate	....	....	....	....	....	....	....	....	....	....	....
Demonstration estimate	2,525	1,900	....	....	....	....	....	....	....	....	....
A/B Rebilling Demonstration:											
Baseline estimate	3,464	3,764	....	....	....	....	....	....	....	....	....
Demonstration estimate	3,464	3,764	....	....	....	....	....	....	....	....	....
RAC Prepay Demonstration:											
Baseline estimate	1,816	1,816	1,816	....	....	....	....	....	....	....	....
Demonstration estimate	1,586	1,496	1,476	....	....	....	....	....	....	....	....
Medicare Independence at Home Demonstration:											
Baseline estimate	310	322	221	....	....	....	....	....	....	....	....
Demonstration estimate	297	309	212	....	....	....	....	....	....	....	....

Table 26–5. IMPACT OF REGULATIONS, EXPIRING AUTHORIZATIONS, AND OTHER ASSUMPTIONS IN THE BASELINE—Continued

(Outlays in millions of dollars)

	Estimate										
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Center for Medicare and Medicaid Innovation (CMMI) - Medicare:											
Pioneer Accountable Care Organizations:											
Baseline estimate	6,620	6,950	7,300	7,660	8,100	....	....	....	....	....	....
Demonstration estimate	6,470	6,790	7,200	7,440	8,220	....	....	....	....	....	....
Advance Payment ACOs: [7]											
Baseline estimate	7,000	7,350	7,718	8,103	....	....	....	....	....	....	....
Demonstration estimate	6,982	7,387	7,674	8,117	....	....	....	....	....	....	....
FQHC Demonstration:											
Baseline estimates	TBD	TBD	....	....	....	....	....	....	....	....	....
Demonstration estimates	TBD	TBD	....	....	....	....	....	....	....	....	....
Bundled Payments for Care Improvement:											
Baseline estimate	TBD	TBD	TBD	TBD	TBD	....	....	....	....	....	....
Demonstration estimate	TBD	TBD	TBD	TBD	TBD	....	....	....	....	....	....
Comprehensive ESRD Care (CEC):											
Baseline estimate	....	1,620	1,660	1,710	1,760	1,820	460	....	....	....	....
Demonstration estimate	....	1,580	1,620	1,640	1,680	1,700	480	....	....	....	....
Center for Medicare and Medicaid Innovation (CMMI) - Medicare and Medicaid:											
Partnerships for Patients:											
Baseline estimate	TBD	TBD	....	....	....	....	....	....	....	....	....
Demonstration estimate	TBD	TBD	....	....	....	....	....	....	....	....	....
Initiative to Reduce Avoidable Hospital Admissions Among Nursing Facility Residents:											
Baseline estimate	1,524	1,575	1,628	1,683	....	....	....	....	....	....	....
Demonstration estimate	1,529	1,562	1,613	1,668	....	....	....	....	....	....	....
Health Care Innovation Awards:											
Baseline estimate	TBD	TBD	TBD	....	....	....	....	....	....	....	....
Demonstration estimate	TBD	TBD	TBD	....	....	....	....	....	....	....	....
Comprehensive Primary Care Initiative:											
Baseline estimate	3,583	3,673	3,388	3,884	....	....	....	....	....	....	....
Demonstration estimate	3,646	3,644	3,313	3,770	....	....	....	....	....	....	....
State Innovation Models:											
Baseline estimate	TBD	TBD	TBD	TBD	....	....	....	....	....	....	....
Demonstation estimate	TBD	TBD	TBD	TBD	....	....	....	....	....	....	....
Center for Medicare and Medicaid Innovation (CMMI) - Medicaid:											
Strong Start for Mothers and Newborns:											
Baseline estimate	TBD	TBD	TBD	TBD	....	....	....	....	....	....	....
Demonstration estimate	TBD	TBD	TBD	TBD	....	....	....	....	....	....	....
State Demonstrations and Financial Models to Integrate Care for Medicare-Medicaid Enrollees:											
Massachusetts:											
Baseline estimate	1,102	1,150	1,189	1,235	1,288	....	....	....	....	....	....
Demonstration estimate	1,099	1,139	1,168	1,201	1,278	....	....	....	....	....	....
Ohio:											
Baseline estimate	TBD	TBD	TBD	TBD	TBD	....	....	....	....	....	....
Demonstration estimate	TBD	TBD	TBD	TBD	TBD	....	....	....	....	....	....
Washington:											
Baseline estimate	20	119	253	312	79	....	....	....	....	....	....
Demonstration estimate	20	121	253	305	82	....	....	....	....	....	....
Medicaid:											
Alabama Family Planning:											
Baseline estimate	49	28	....	....	....	....	....	....	....	....	....
Arizona AHCCCS:											
Baseline estimate	8,862	10,155	11,216	12,362	....	....	....	....	....	....	....
Arkansas Family Planning:											
Baseline estimate	13	6	....	....	....	....	....	....	....	....	....

Table 26–5. IMPACT OF REGULATIONS, EXPIRING AUTHORIZATIONS, AND OTHER ASSUMPTIONS IN THE BASELINE—Continued

(Outlays in millions of dollars)

	Estimate										
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Arkansas TEFRA:											
Baseline estimate	55	14	....	....	....	....	....	....	....	....	....
California Bridge to Reform:											
Baseline estimate	9,914	9,607	7,868	656	....	....	....	....	....	....	....
Colorado Adults without Dependent Children:											
Baseline estimate	46	24	....	....	....	....	....	....	....	....	....
Delaware Diamond State Health Plan:											
Baseline estimate	868	225	....	....	....	....	....	....	....	....	....
District of Columbia Childless Adults II:											
Baseline estimate	43	13	....	....	....	....	....	....	....	....	....
Florida Family Planning:											
Baseline estimate	14	4	....	....	....	....	....	....	....	....	....
Florida MEDS-AD Program: [8]											
Baseline estimate	....	....	....	....	....	....	....	....	....	....	....
Florida Medicaid Reform:											
Baseline estimate	7,689	6,311	....	....	....	....	....	....	....	....	....
Georgia Planning for Healthy Babies:											
Baseline estimate	526	132	....	....	....	....	....	....	....	....	....
Hawaii Health QUEST:											
Baseline estimate	1,044	267	....	....	....	....	....	....	....	....	....
Healthy Indiana Plan: [9]											
Baseline estimate	1,612	405	....	....	....	....	....	....	....	....	....
Idaho Adult Access Card:											
Baseline estimate	*	*	....	....	....	....	....	....	....	....	....
Illinois/Cook County Care:											
Baseline estimate	184	61	....	....	....	....	....	....	....	....	....
Illinois Family Planning: [9]											
Baseline estimate	TBD	....	....	....	....	....	....	....	....	....	....
IowaCare:											
Baseline estimate	106	28	....	....	....	....	....	....	....	....	....
Iowa Family Planning:											
Baseline estimate	18	5	....	....	....	....	....	....	....	....	....
Kansas:											
Baseline estimate	1,307	1,831	1,960	2,101	2,249	572	....	....	....	....	....
Kentucky Health Care Partnership Program: [10]											
Baseline estimate	....	....	....	....	....	....	....	....	....	....	....
Louisiana Family Planning: [9]											
Baseline estimate	TBD	....	....	....	....	....	....	....	....	....	....
Louisiana GNO Community Health Connection:											
Baseline estimate	20	5	....	....	....	....	....	....	....	....	....
Maine HIV:											
Baseline estimate	11	3	....	....	....	....	....	....	....	....	....
MaineCare Childless Adults:											
Baseline estimate	58	15	....	....	....	....	....	....	....	....	....
Maryland Health Choice:											
Baseline estimate	3,256	887	....	....	....	....	....	....	....	....	....
Massachusetts MassHealth:											
Baseline estimate	5,349	4,309	....	....	....	....	....	....	....	....	....
Michigan Adult Benefits:											
Baseline estimate	153	165	....	....	....	....	....	....	....	....	....
Michigan Family Planning: [9]											
Baseline estimate	TBD	....	....	....	....	....	....	....	....	....	....
Minnesota Prepaid Med. Assist. Project Plus:											
Baseline estimate	434	113	....	....	....	....	....	....	....	....	....

Table 26–5. IMPACT OF REGULATIONS, EXPIRING AUTHORIZATIONS, AND OTHER ASSUMPTIONS IN THE BASELINE—Continued
(Outlays in millions of dollars)

	Estimate										
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Minnesota Family Planning:											
Baseline estimate	15	4	....	....	....	....	....	....	....	....	....
Mississippi Family Planning: [9]											
Baseline estimate	TBD	....	....	....	....	....	....	....	....	....	....
Mississippi - Healthier Mississippi:											
Baseline estimate	70	18	....	....	....	....	....	....	....	....	....
Montana Basic Medicaid for Able-Bodied Adults:											
Baseline estimate	48	10	....	....	....	....	....	....	....	....	....
Montana Family Planning:											
Baseline estimate	2	1	....	....	....	....	....	....	....	....	....
Missouri Family Planning:											
Baseline estimate	25	7	....	....	....	....	....	....	....	....	....
Missouri Gateway to Better Health:											
Baseline estimate	19	5	....	....	....	....	....	....	....	....	....
New Jersey Comprehensive Waiver:											
Baseline estimate	5,049	5,049	5,654	6,017	4,726	....	....	....	....	....	....
New Mexico State Coverage Insurance:											
Baseline estimate	198	212	....	....	....	....	....	....	....	....	....
New York Federal-State Health Reform Partnership:											
Baseline estimate	7,869	4,190									
New York Partnership Plan:											
Baseline estimate	18,257	9,704									
North Carolina Family Planning: [9]											
Baseline estimate	TBD	....	....	....	....	....	....	....	....	....	....
Ohio Metro Health:											
Baseline estimates	68	26	....	....	....	....	....	....	....	....	....
Oklahoma Sooner Care: [11]											
Baseline estimate	1,698	1,878	2,046	522	....	....	....	....	....	....	....
Oregon Family Planning: [9]											
Baseline estimate	18	....	....	....	....	....	....	....	....	....	....
Oregon Health Plan:											
Baseline estimate	3,502	4,533	5,281	5,937	6,680	....	....	....	....	....	....
Pennsylvania Family Planning: [9]											
Baseline estimate	TBD	....	....	....	....	....	....	....	....	....	....
Rhode Island Global:											
Baseline estimate	1,572	625	....	....	....	....	....	....	....	....	....
TennCare II:											
Baseline estimate	5,329	....	....	....	....	....	....	....	....	....	....
Texas Family Planning: [12]											
Baseline estimate	TBD	....	....	....	....	....	....	....	....	....	....
Texas Healthcare Transformation and Quality Improvement Program:											
Baseline estimate	15,005	16,761	18,010	19,277	....	....	....	....	....	....	....
Utah Primary Care Network:											
Baseline estimate	114	....	....	....	....	....	....	....	....	....	....
Vermont Long Term Care Plan:											
Baseline estimate	210	227	245	....	....	....	....	....	....	....	....
Vermont Global Commitment to Health:											
Baseline estimate	837	229	....	....	....	....	....	....	....	....	....
Washington Take Charge/Family Planning:											
Baseline estimate	20	3	....	....	....	....	....	....	....	....	....
Washington Transitional Bridge:											
Baseline estimate	225	57	....	....	....	....	....	....	....	....	....

Table 26–5. IMPACT OF REGULATIONS, EXPIRING AUTHORIZATIONS, AND OTHER ASSUMPTIONS IN THE BASELINE—Continued
(Outlays in millions of dollars)

	Estimate										
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Wisconsin BadgerCare: [13]											
Demonstration estimate	....	....	....	....	....	....	....	....	....	....	....
Wisconsin BadgerCare Plus:											
Baseline estimate	108	28	....	....	....	....	....	....	....	....	....
Wyoming Family Planning:											
Baseline estimate	39	....	....	....	....	....	....	....	....	....	....
Pharmacy Plus:											
Wisconsin Pharmacy Plus:											
Demonstration estimate	835	1,162	1,228	311	....	....	....	....	....	....	....
Children's Health Insurance Program (CHIP)/Medicaid Demonstrations:											
New Jersey FamilyCare:											
Demonstration estimate (CHIP funds)	....	....	....	....	....	....	....	....	....	....	....
New Jersey Comprehensive Waiver:											
Demonstration estimate (CHIP funds)	323	....	....	....	....	....	....	....	....	....	....
Oregon Health Plan 2:											
Demonstration estimate (CHIP funds)	5	....	....	....	....	....	....	....	....	....	....
Arkansas ARKids B:											
Baseline estimate (CHIP)	87	91	....	....	....	....	....	....	....	....	....
Arkansas Safety Net Benefit Program:											
Demonstration estimate (CHIP funds)	14	....	....	....	....	....	....	....	....	....	....
Baseline estimate (Medicaid funds)	1,745	467	....	....	....	....	....	....	....	....	....
Colorado:											
Demonstration estimate (CHIP funds)	21	22	....	....	....	....	....	....	....	....	....
Idaho:											
Demonstration estimate (CHIP funds)	*	....	....	....	....	....	....	....	....	....	....
New Mexico:											
Demonstration estimate (CHIP funds)	62	....	....	....	....	....	....	....	....	....	....
Virginia:											
Demonstration estimate (CHIP funds)	11	....	....	....	....	....	....	....	....	....	....
Old Age and Survivors Insurance (OASI), Disability Insurance (DI) and Supplemental Security Income (SSI):											
Performance of CDRs in 2011 and Subsequent Years:											
OASDI	–33	–160	–191	–193	–193	–188	–182	–175	–168	–162	–156
SSI	–27	–260	–532	–855	–1,045	–1,164	–1,448	–1,629	–1,792	–2,088	–2,070
Collection of Overpayments:											
OASI	–1,172	–1,235	–1,306	–1,384	–1,384	–1,384	–1,384	–1,384	–1,384	–1,384	–1,384
DI	–989	–1,026	–1,063	–1,100	–1,100	–1,100	–1,100	–1,100	–1,100	–1,100	–1,100
SSI	–1,196	–1,272	–1,348	–1,446	–1,446	–1,446	–1,446	–1,446	–1,446	–1,446	–1,446
Debts Written off as Uncollectible (no effect on outlays):											
OASI	–150	–158	–167	–177	–177	–177	–177	–177	–177	–177	–177
DI	–482	–500	–518	–536	–536	–536	–536	–536	–536	–536	–536
SSI (Federal)	–27	–27	–28	–30	–30	–30	–30	–30	–30	–30	–30
Payments to States for Vocational Rehabilitation (excludes ticket payments):											
OASDI	104	122	138	148	158	164	168	171	174	176	178
SSI	42	48	52	57	60	61	63	64	66	68	69
Research and Demonstration Projects:											
OASDI	19	18	....	....	....	....	....	....	....	....	....
SSI	33	40	42	43	44	44	45	46	47	48	49
State Supplementation Benefit Payments (SSI):											
Payments from States	–3,337	–3,320	–3,447	–3,591	–3,726	–3,860	–3,984	–4,094	–4,205	–4,320	–4,445
Benefit Payments	3,310	3,435	3,580	4,020	3,860	3,660	4,085	4,195	4,310	4,795	4,570
Fees for Federal Administration of SSI State Supplemental Benefit Payments:											
Treasury Share	–135	–136	–137	–150	–139	–127	–139	–140	–140	–152	–141

Table 26–5. IMPACT OF REGULATIONS, EXPIRING AUTHORIZATIONS, AND OTHER ASSUMPTIONS IN THE BASELINE—Continued

(Outlays in millions of dollars)

	Estimate										
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
SSA Share	–166	–173	–181	–205	–197	–188	–213	–221	–230	–259	–248
Performance of Non-Disability SSI Redeterminations	460	–898	–351	–138	–107	–58	–60	–41	–28	–24	38

* Indicates baseline amount rounds to zero.

[1] The amounts shown are the outlays for USFWS only. US Coast Guard and the USACE receive funding from the Sport Fish and Boating Trust Fund.

[2] Estimates are based on current year amount.

[3] The amounts shown are the excise tax estimates for the Sport Fish Restoration and Boating Trust Fund.

[4] Current law expires December 31, 2013.

[5] Medicare regulations reflect net of premium outlays.

[6] Part D Retroactive & Immediate Coverage for New Dual Eligible Individuals demo amount for FY 2014 includes Q1 only as demo expires December 31, 2014.

[7] OACT estimates that advance payment ACOs are expected to generate $60M in savings for the Medicare Shared Savings Program (MSSP) in the first three performance periods, reflected in the baseline and in the MSSP regulatory impact analysis. These savings are included in the above estimate.

[8] Demonstration will expend accumulated budget neutrality savings from prior years.

[9] The demonstration is on temporary extension.

[10] The demonstration ended December 31, 2012, with all beneficiaries moving into a 1915(b) waiver.

[11] The demonstration populations (children and pregnant women) are transitioning to the Medicaid and CHIP state plans effective January 1, 2013. However, the state will continue to have section 1115 authority in order to continue to provide title XXI funds for pregnant women through 185 percent of the FPL in the Medicaid state plan.

[12] The demonstration ended December 31, 2012.

[13] The demonstration includes only state plan eligible beneficiaries and has been provided no expenditure authority. This demonstration is presumed budget neutral.

Table 26–6. RECEIPTS BY SOURCE IN THE PROJECTION OF ADJUSTED BASELINE
(In billions of dollars)

	2012	Estimate										
	Actual	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Individual income taxes	1,132.2	1,234.1	1,358.2	1,511.8	1,644.6	1,776.0	1,899.8	2,017.5	2,144.0	2,273.8	2,402.1	2,559.5
Corporation income taxes	242.3	287.7	335.1	376.4	398.7	427.0	446.2	464.8	475.1	487.4	504.3	522.6
Social insurance and retirement receipts	845.3	951.1	1,031.9	1,084.5	1,148.4	1,203.5	1,267.3	1,329.1	1,386.9	1,462.4	1,527.0	1,592.0
On-budget	(275.8)	(277.6)	(292.3)	(305.6)	(320.9)	(332.6)	(348.0)	(362.5)	(378.0)	(397.9)	(411.1)	(429.3)
Off-budget	(569.5)	(673.5)	(739.7)	(778.9)	(827.5)	(870.9)	(919.3)	(966.6)	(1,008.9)	(1,064.6)	(1,115.9)	(1,162.7)
Excise taxes	79.1	85.3	93.0	98.8	100.4	104.5	112.0	125.2	130.0	137.4	145.1	155.1
Estate and gift taxes	14.0	12.9	13.0	13.6	15.1	16.4	17.8	19.0	20.1	21.2	22.3	23.3
Customs duties	30.3	33.6	39.3	42.8	46.0	49.3	52.5	55.3	58.4	61.4	64.7	68.3
Miscellaneous receipts	107.0	107.3	129.9	148.8	122.9	83.4	69.7	85.8	110.2	114.9	119.8	124.2
Total, receipts	**2,450.2**	**2,712.2**	**3,000.3**	**3,276.8**	**3,476.0**	**3,660.2**	**3,865.3**	**4,096.7**	**4,324.6**	**4,558.6**	**4,785.2**	**5,045.0**
On-budget	(1,880.7)	(2,038.7)	(2,260.6)	(2,497.9)	(2,648.5)	(2,789.2)	(2,946.0)	(3,130.0)	(3,315.7)	(3,494.0)	(3,669.3)	(3,882.3)
Off-budget	(569.5)	(673.5)	(739.7)	(778.9)	(827.5)	(870.9)	(919.3)	(966.6)	(1,008.9)	(1,064.6)	(1,115.9)	(1,162.7)

Table 26–7. EFFECT ON RECEIPTS OF CHANGES IN THE SOCIAL SECURITY TAXABLE EARNINGS BASE
(In billions of dollars)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Social security (OASDI) taxable earnings base increases:										
$113,700 to $115,800 on Jan. 1, 2014	1.0	2.6	2.9	3.2	3.6	3.9	3.4	3.4	4.0	4.5
$115,800 to $119,100 on Jan. 1, 2015	....	1.6	4.3	4.8	5.3	5.9	6.4	5.5	5.8	6.6
$119,100 to $123,600 on Jan. 1, 2016	....	....	2.3	6.1	6.8	7.5	8.2	8.5	7.5	8.0
$123,600 to $128,700 on Jan. 1, 2017	....	....	....	2.7	7.1	7.8	8.5	9.5	9.8	8.5
$127,800 to $134,400 on Jan. 1, 2018	....	....	....	....	3.1	8.0	8.7	9.6	10.6	11.1
$134,400 to $140,700 on Jan. 1, 2019	....	....	....	....	....	3.4	8.7	9.7	10.6	11.6
$140,700 to $146,400 on Jan. 1, 2020	....	....	....	....	....	....	3.0	8.0	8.8	9.5
$146,400 to $152,400 on Jan. 1, 2021	....	....	....	....	....	....	....	3.2	8.4	9.2
$152,400 to $158,700 on Jan. 1, 2022	....	....	....	....	....	....	....	....	3.4	8.9
$158,700 to $165,000 on Jan. 1, 2023	....	....	....	....	....	....	....	....	....	3.4

Table 26–8. CHANGE IN OUTLAY ESTIMATES BY CATEGORY IN THE ADJUSTED BASELINE

(Dollar amounts in billions)

	2013	2014	2018	2023	Change 2013 to 2014		Change 2013 to 2018		Change 2013 to 2023	
					Amount	Percent	Amount	Annual average rate	Amount	Annual average rate
Outlays:										
Discretionary:										
Defense	630	574	634	758	–56	–8.9%	4	0.1%	128	1.9%
Non-defense	596	592	585	679	–4	–0.7%	–11	–0.4%	83	1.3%
Subtotal, discretionary	1,226	1,166	1,219	1,438	–60	–4.9%	–7	–0.1%	212	1.6%
Mandatory:										
Farm programs	20	16	14	15	–4	–19.1%	–6	–6.5%	–5	–2.6%
Medicaid	267	304	392	529	37	14.0%	126	8.0%	263	7.1%
Other health care	42	78	146	195	35	83.1%	103	28.0%	153	16.5%
Medicare	498	519	639	941	21	4.2%	141	5.1%	443	6.6%
Federal employee retirement and disability	131	136	152	184	6	4.2%	21	3.1%	53	3.5%
Unemployment compensation	76	54	44	53	–22	–29.4%	–32	–10.3%	–23	–3.6%
Other income security programs	285	275	276	303	–10	–3.5%	–8	–0.6%	18	0.6%
Social Security	812	860	1,081	1,427	48	5.8%	269	5.9%	614	5.8%
Veterans programs	81	86	103	145	5	6.2%	22	5.0%	64	6.0%
Other mandatory programs	62	–3	5	36	–64	–104.2%	–57	–40.0%	–26	–5.2%
Undistributed offsetting receipts	–92	–89	–105	–122	2	–2.5%	–13	2.7%	–30	2.9%
Subtotal, mandatory	2,182	2,235	2,749	3,706	53	2.4%	567	4.7%	1,524	5.4%
Disaster costs [1]	1	5	9	10	3	241.8%	8	46.5%	9	21.9%
Net interest	222	222	459	804	–*	–0.1%	237	15.6%	582	13.7%
Total, outlays	3,632	3,627	4,437	5,959	–4	–0.1%	805	4.1%	2,327	5.1%

* $500 million or less.

[1] These amounts represent the statistical probability of a major disaster requiring federal assistance for relief and reconstruction. Such assistance might be provided in the form of discretionary or mandatory outlays or tax relief. These amounts are included as outlays for convenience.

Table 26–9. OUTLAYS BY FUNCTION IN THE ADJUSTED BASELINE

(In billions of dollars)

Function	2012 Actual	Estimate										
		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
National Defense:												
Department of Defense—Military	650.9	613.1	555.3	591.3	598.0	607.6	616.7	627.8	644.8	660.9	704.9	736.9
Other	27.0	25.3	26.4	25.8	25.1	25.4	25.8	26.3	26.8	27.3	29.4	30.5
Total, National Defense	677.9	638.3	581.7	617.1	623.0	633.0	642.5	654.1	671.5	688.1	734.3	767.5
International Affairs	47.2	56.0	57.1	58.2	59.3	59.9	60.1	61.1	62.3	63.8	65.4	66.2
General Science, Space, and Technology	29.1	30.0	30.0	30.6	31.1	31.5	32.0	32.7	33.7	34.5	35.2	35.8
Energy	14.9	14.6	12.2	8.9	5.6	3.7	5.3	4.4	4.8	4.5	4.6	4.0
Natural Resources and Environment	41.6	38.2	41.4	43.0	45.9	47.1	47.9	49.0	50.5	51.2	52.1	53.5
Agriculture	17.8	26.6	22.9	20.4	22.2	20.8	21.0	21.4	21.9	22.2	22.6	23.0
Commerce and Housing Credit	40.8	16.5	–39.2	–40.7	–37.8	–26.6	–20.0	–20.0	–26.1	–18.1	–21.0	–23.2
On-Budget	(38.2)	(16.2)	(–39.5)	(–40.9)	(–38.1)	(–26.8)	(–20.3)	(–20.3)	(–26.3)	(–18.4)	(–21.3)	(–23.5)
Off-Budget	(2.7)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
Transportation	93.0	93.8	98.4	99.7	99.4	99.8	99.5	99.9	101.7	103.6	105.9	108.2
Community and Regional Development	25.1	37.2	32.3	26.3	18.9	17.2	16.6	15.8	15.4	15.8	15.3	15.3
Education, Training, Employment, and Social Services	90.8	71.7	84.5	89.9	95.5	104.5	112.2	117.7	122.2	126.1	131.1	134.1
Health	346.7	368.0	438.6	512.1	555.7	582.4	599.8	634.6	671.2	706.6	746.5	792.7
Medicare	471.8	504.2	525.3	552.4	604.3	621.5	647.2	710.6	764.4	822.2	911.8	951.4
Income Security	541.3	556.0	530.0	527.7	542.5	542.2	541.3	561.5	575.1	590.0	614.3	616.1
Social Security	773.3	818.0	865.6	917.5	971.1	1,028.3	1,087.8	1,150.6	1,217.2	1,284.5	1,357.2	1,434.1
On-Budget	(140.4)	(56.3)	(28.6)	(32.6)	(36.0)	(39.6)	(43.3)	(47.3)	(51.3)	(55.5)	(59.8)	(64.5)
Off-Budget	(632.9)	(761.8)	(837.0)	(884.9)	(935.1)	(988.7)	(1,044.5)	(1,103.3)	(1,165.8)	(1,229.1)	(1,297.4)	(1,369.6)
Veterans Benefits and Services	124.6	140.7	149.0	157.8	171.0	172.4	174.2	190.0	198.9	208.0	226.0	226.5
Administration of Justice	56.3	57.6	62.8	61.1	62.0	60.2	61.8	63.5	65.3	67.1	71.5	73.7
General Government	28.0	29.3	26.4	25.6	25.7	25.2	25.7	26.5	27.7	28.3	29.1	30.0
Net Interest	220.4	221.9	221.8	252.3	297.9	370.2	459.1	544.5	615.9	677.2	740.9	804.4
On-Budget	(332.8)	(327.5)	(321.9)	(348.0)	(389.9)	(460.9)	(548.4)	(635.1)	(705.0)	(767.2)	(827.8)	(889.9)
Off-Budget	(–112.4)	(–105.6)	(–100.0)	(–95.6)	(–92.0)	(–90.7)	(–89.4)	(–90.6)	(–89.1)	(–89.9)	(–86.8)	(–85.5)
Allowances	....	4.6	–24.3	–52.1	–67.0	–70.3	–72.5	–73.9	–76.3	–79.5	–49.9	–32.7
Undistributed Offsetting Receipts:												
Employer share, employee retirement (on-budget)	–68.3	–66.1	–65.6	–66.0	–67.4	–72.6	–74.7	–77.2	–79.8	–82.5	–85.3	–88.1
Employer share, employee retirement (off-budget)	–15.6	–16.2	–16.8	–17.7	–18.6	–19.4	–20.3	–21.3	–22.3	–23.3	–24.5	–25.5
Rents and royalties on the Outer Continental Shelf	–6.6	–6.8	–7.0	–7.2	–7.4	–7.3	–7.1	–7.6	–8.2	–8.4	–8.6	–8.3
Sale of major assets	–13.0	–2.6	....	....	....	....	....	....	....	....	....	....
Other undistributed offsetting receipts	....	....	....	–4.8	–9.4	–7.7	–2.6	–4.4	–4.4	....	....	....
Total, Undistributed Offsetting Receipts	–103.5	–91.7	–89.4	–95.6	–102.9	–107.0	–104.6	–110.6	–114.7	–114.3	–118.5	–122.0
On-Budget	(–87.9)	(–75.6)	(–72.6)	(–77.9)	(–84.3)	(–87.6)	(–84.3)	(–89.2)	(–92.4)	(–90.9)	(–93.9)	(–96.5)
Off-Budget	(–15.6)	(–16.2)	(–16.8)	(–17.7)	(–18.6)	(–19.4)	(–20.3)	(–21.3)	(–22.3)	(–23.3)	(–24.5)	(–25.5)
Total	**3,537.1**	**3,631.5**	**3,627.4**	**3,812.3**	**4,023.4**	**4,216.1**	**4,436.8**	**4,733.3**	**5,002.5**	**5,281.9**	**5,674.4**	**5,958.5**
On-Budget	(3,029.5)	(2,991.3)	(2,906.9)	(3,040.4)	(3,198.7)	(3,337.3)	(3,501.6)	(3,741.7)	(3,947.9)	(4,165.8)	(4,488.1)	(4,699.6)
Off-Budget	(507.6)	(640.3)	(720.4)	(771.9)	(824.7)	(878.8)	(935.1)	(991.6)	(1,054.7)	(1,116.1)	(1,186.3)	(1,258.9)

Table 27–10. OUTLAYS BY AGENCY IN THE ADJUSTED BASELINE

(In billions of dollars)

Agency	2012 Actual	Estimate										
		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Legislative Branch	4.4	4.8	4.9	5.0	5.0	5.1	5.2	5.4	5.5	5.7	5.9	6.0
Judicial Branch	7.2	7.3	7.7	7.8	8.0	8.2	8.4	8.6	8.9	9.1	9.4	9.6
Agriculture	139.7	154.2	141.8	137.3	139.6	138.4	139.0	140.3	142.1	144.0	145.1	146.7
Commerce	10.3	9.3	9.1	9.5	11.3	9.8	10.4	9.7	9.7	10.0	10.3	10.5
Defense—Military Programs	650.9	616.1	594.0	648.4	663.5	678.1	690.9	705.2	724.7	743.3	761.6	779.9
Education	57.2	36.7	48.1	53.4	58.9	67.3	74.2	79.1	82.8	85.8	90.0	92.2
Energy	32.5	27.3	30.2	28.8	26.3	26.0	28.1	26.9	27.5	28.0	28.5	29.2
Health and Human Services	848.1	900.1	959.2	1,033.1	1,113.8	1,146.2	1,184.1	1,274.4	1,357.4	1,441.7	1,561.3	1,637.0
Homeland Security	47.4	59.5	53.1	51.3	47.2	47.9	48.9	49.1	50.4	52.4	55.6	57.2
Housing and Urban Development	49.6	57.7	39.1	36.0	34.8	33.2	32.6	32.3	31.8	31.7	31.9	31.8
Interior	12.9	10.0	13.0	13.9	14.1	14.7	14.8	15.0	15.3	15.7	15.9	16.2
Justice	31.2	33.3	38.5	36.2	36.1	33.8	34.6	35.5	36.5	37.5	38.5	39.5
Labor	104.6	91.3	68.4	60.3	58.5	59.3	60.4	62.5	65.3	68.1	70.8	73.2
State	26.9	29.5	31.5	31.8	32.9	33.5	33.8	34.3	34.8	35.5	36.1	36.9
Transportation	75.1	79.4	81.5	81.4	81.1	81.1	80.3	80.6	81.8	83.1	84.7	86.3
Treasury	464.7	489.5	505.3	559.4	616.0	699.9	797.8	896.9	980.1	1,058.1	1,133.4	1,207.5
Veterans Affairs	124.1	140.3	148.5	157.3	170.5	171.9	173.7	189.5	198.4	207.5	225.5	225.9
Corps of Engineers—Civil Works	7.8	6.8	8.1	9.0	9.9	10.3	10.3	10.3	10.6	10.5	10.8	11.1
Other Defense Civil Programs	77.3	59.7	61.2	63.3	69.7	67.4	63.4	69.9	72.2	74.7	83.1	79.1
Environmental Protection Agency	12.8	9.1	8.5	8.7	9.0	8.8	9.1	9.4	9.7	9.9	10.2	10.4
Executive Office of the President	0.4	0.4	0.4	0.4	0.4	0.7	0.5	4.8	4.6	0.5	0.5	0.5
General Services Administration	1.8	0.9	0.1	–0.2	–0.8	–1.6	–1.7	–1.8	–1.8	–1.9	–1.9	–1.9
International Assistance Programs	20.0	25.5	25.3	26.1	26.1	26.1	26.1	26.6	27.3	28.1	28.9	29.0
National Aeronautics and Space Administration	17.2	17.3	18.3	18.8	19.3	19.5	19.9	20.3	20.8	21.3	21.7	22.1
National Science Foundation	7.3	8.3	7.2	7.2	7.2	7.3	7.2	7.4	7.9	8.1	8.3	8.4
Office of Personnel Management	79.5	84.3	83.6	87.9	92.1	103.6	107.2	112.1	117.0	121.8	126.9	132.2
Small Business Administration	2.9	0.9	1.2	1.4	1.1	1.2	1.2	1.2	1.3	1.3	1.3	1.4
Social Security Administration	821.1	872.0	921.7	977.0	1,037.9	1,092.7	1,149.3	1,219.0	1,287.7	1,357.2	1,437.6	1,511.3
On-Budget	(188.2)	(110.2)	(84.7)	(92.1)	(102.8)	(104.0)	(104.8)	(115.7)	(121.9)	(128.1)	(140.2)	(141.7)
Off-Budget	(632.9)	(761.8)	(837.0)	(884.9)	(935.1)	(988.7)	(1,044.5)	(1,103.3)	(1,165.8)	(1,229.1)	(1,297.4)	(1,369.6)
Other Independent Agencies	32.9	46.8	22.8	19.5	20.2	22.0	27.2	25.5	20.6	34.0	32.1	30.8
On-Budget	(30.2)	(46.5)	(22.5)	(19.2)	(19.9)	(21.8)	(26.9)	(25.2)	(20.3)	(33.7)	(31.8)	(30.5)
Off-Budget	(2.7)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
Allowances	....	1.6	–65.0	–112.1	–135.8	–144.2	–150.1	–154.9	–159.9	–165.7	–108.8	–77.4
Undistributed Offsetting Receipts												
On-Budget	(–102.7)	(–126.5)	(–122.7)	(–132.1)	(–140.0)	(–142.0)	(–140.2)	(–150.1)	(–157.0)	(–162.0)	(–169.3)	(–173.4)
Off-Budget	(–128.0)	(–121.8)	(–116.8)	(–113.3)	(–110.7)	(–110.2)	(–109.6)	(–112.0)	(–111.5)	(–113.3)	(–111.4)	(–111.0)
Total	**3,537.1**	**3,631.5**	**3,627.4**	**3,812.3**	**4,023.4**	**4,216.1**	**4,436.8**	**4,733.3**	**5,002.5**	**5,281.9**	**5,674.4**	**5,958.5**
On-Budget	(3,029.5)	(2,991.3)	(2,906.9)	(3,040.4)	(3,198.7)	(3,337.3)	(3,501.6)	(3,741.7)	(3,947.9)	(4,165.8)	(4,488.1)	(4,699.6)
Off-Budget	(507.6)	(640.3)	(720.4)	(771.9)	(824.7)	(878.8)	(935.1)	(991.6)	(1,054.7)	(1,116.1)	(1,186.3)	(1,258.9)

Table 26–11. BUDGET AUTHORITY BY FUNCTION IN THE ADJUSTED BASELINE

(In billions of dollars)

Function	2012 Actual	Estimate										
		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
National Defense:												
Department of Defense—Military	655.4	581.3	571.5	586.7	599.0	613.3	627.7	642.3	657.8	673.4	743.4	761.6
Other	26.0	25.0	24.3	24.8	25.1	25.6	26.1	26.6	27.1	27.6	30.5	31.1
Total, National Defense	681.4	606.3	595.8	611.5	624.2	639.0	653.8	668.9	684.9	701.0	773.8	792.6
International Affairs	93.3	54.4	50.6	50.1	51.4	53.3	56.4	60.4	63.2	65.0	67.3	68.7
General Science, Space, and Technology	29.2	27.9	29.9	30.6	31.2	31.9	32.5	33.2	33.9	34.6	35.4	36.1
Energy	7.7	10.9	9.7	8.2	7.0	5.2	5.3	6.0	6.5	6.2	6.0	5.3
Natural Resources and Environment	37.0	41.0	41.9	43.4	44.6	46.8	48.4	49.4	50.9	52.0	53.1	54.5
Agriculture	20.9	24.1	22.0	20.1	22.2	21.0	21.2	21.6	22.1	22.4	22.8	23.2
Commerce and Housing Credit	12.4	52.4	–18.3	–12.5	–7.6	0.8	4.5	10.3	10.4	6.6	6.9	7.0
On-Budget	(10.2)	(52.4)	(–18.3)	(–12.5)	(–7.6)	(0.8)	(4.5)	(10.3)	(10.4)	(6.6)	(6.9)	(7.0)
Off-Budget	(2.3)	....	....	(0.0)	....	(–0.0)	(–0.0)	(–0.0)	(–0.0)	(–0.0)	(–0.0)	(–0.0)
Transportation	88.6	98.1	88.6	90.7	91.8	92.9	94.1	95.2	96.5	97.8	99.1	100.4
Community and Regional Development	18.5	55.8	13.4	14.1	13.9	14.1	15.1	15.4	15.7	16.2	16.6	16.9
Education, Training, Employment, and Social Services	91.7	68.3	75.0	89.3	97.6	106.4	113.7	119.7	123.5	127.8	132.9	136.0
Health	361.9	360.5	425.6	525.3	543.0	574.1	598.1	633.3	681.0	707.2	748.1	794.0
Medicare	484.3	504.1	525.5	552.4	604.2	621.8	647.4	710.8	764.8	822.5	911.9	951.9
Income Security	548.9	540.6	527.9	528.4	543.0	548.1	553.6	568.9	582.2	596.6	614.7	622.5
Social Security	777.6	822.4	869.6	921.4	975.5	1,032.8	1,092.6	1,155.7	1,222.6	1,290.0	1,363.0	1,440.4
On-Budget	(140.4)	(56.1)	(28.4)	(32.5)	(36.0)	(39.6)	(43.3)	(47.3)	(51.3)	(55.5)	(59.8)	(64.5)
Off-Budget	(637.2)	(766.4)	(841.3)	(888.9)	(939.5)	(993.2)	(1,049.3)	(1,108.4)	(1,171.3)	(1,234.6)	(1,303.2)	(1,375.9)
Veterans Benefits and Services	124.5	137.6	149.9	157.6	166.3	173.8	182.9	191.5	200.5	209.6	219.0	228.3
Administration of Justice	55.3	51.9	66.7	57.3	60.7	60.6	62.2	64.0	65.8	67.6	72.0	74.2
General Government	26.5	28.2	25.2	25.1	25.7	26.3	27.0	27.7	28.5	29.3	30.2	31.1
Net Interest	219.9	221.9	221.8	252.3	297.9	370.2	459.1	544.5	615.9	677.2	740.9	804.4
On-Budget	(332.3)	(327.5)	(321.9)	(348.0)	(389.9)	(460.9)	(548.4)	(635.1)	(705.0)	(767.2)	(827.8)	(889.9)
Off-Budget	(–112.4)	(–105.6)	(–100.0)	(–95.6)	(–92.0)	(–90.7)	(–89.4)	(–90.6)	(–89.1)	(–89.9)	(–86.8)	(–85.5)
Allowances	....	10.9	–43.0	–68.2	–71.3	–72.0	–74.1	–75.6	–78.4	–81.9	–28.1	–29.0
Undistributed Offsetting Receipts:												
Employer share, employee retirement (on-budget)	–68.3	–66.1	–65.6	–66.0	–67.4	–72.6	–74.7	–77.2	–79.8	–82.5	–85.3	–88.1
Employer share, employee retirement (off-budget)	–15.6	–16.2	–16.8	–17.7	–18.6	–19.4	–20.3	–21.3	–22.3	–23.3	–24.5	–25.5
Rents and royalties on the Outer Continental Shelf	–6.6	–6.8	–7.0	–7.2	–7.4	–7.3	–7.1	–7.6	–8.2	–8.4	–8.6	–8.3
Sale of major assets	–13.0	–2.6	....	....	....	....	....	....	....	....	....	....
Other undistributed offsetting receipts	....	....	....	–4.8	–9.4	–7.7	–2.6	–4.4	–4.4	....	....	....
Total, Undistributed Offsetting Receipts	–103.5	–91.7	–89.4	–95.6	–102.9	–107.0	–104.6	–110.6	–114.7	–114.3	–118.5	–122.0
On-Budget	(–87.9)	(–75.6)	(–72.6)	(–77.9)	(–84.3)	(–87.6)	(–84.3)	(–89.2)	(–92.4)	(–90.9)	(–93.9)	(–96.5)
Off-Budget	(–15.6)	(–16.2)	(–16.8)	(–17.7)	(–18.6)	(–19.4)	(–20.3)	(–21.3)	(–22.3)	(–23.3)	(–24.5)	(–25.5)
Total	**3,576.2**	**3,625.4**	**3,588.4**	**3,801.6**	**4,018.3**	**4,240.1**	**4,489.1**	**4,790.4**	**5,075.7**	**5,333.7**	**5,767.2**	**6,036.6**
On-Budget	(3,064.7)	(2,980.8)	(2,864.0)	(3,026.0)	(3,189.5)	(3,357.0)	(3,549.5)	(3,794.0)	(4,015.8)	(4,212.4)	(4,575.3)	(4,771.8)
Off-Budget	(511.5)	(644.6)	(724.4)	(775.6)	(828.8)	(883.1)	(939.7)	(996.5)	(1,059.8)	(1,121.3)	(1,191.8)	(1,264.8)
MEMORANDUM												
Discretionary budget authority:												
National Defense	669.6	598.0	588.1	603.1	615.8	630.6	645.4	660.3	676.2	692.1	764.9	783.5
International affairs	54.3	51.9	56.3	57.6	58.8	60.1	61.5	62.8	64.2	65.6	67.0	68.5
Domestic	472.3	476.0	422.6	435.8	445.6	455.9	467.5	480.7	492.7	504.9	550.1	564.2
Total, discretionary	1196.2	1125.8	1067.0	1096.4	1120.2	1146.6	1174.4	1203.7	1233.1	1262.5	1382.0	1416.2

Table 26–12. BUDGET AUTHORITY BY AGENCY IN THE ADJUSTED BASELINE

(In billions of dollars)

Agency	2012 Actual	Estimate										
		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Legislative Branch	4.5	4.3	4.7	4.8	5.0	5.1	5.3	5.5	5.6	5.8	6.0	6.1
Judicial Branch	7.2	7.0	7.5	7.8	8.0	8.3	8.5	8.8	9.0	9.3	9.6	9.8
Agriculture	151.8	152.4	145.2	143.6	145.9	144.9	145.6	146.5	148.1	150.3	151.0	152.5
Commerce	8.0	7.8	10.3	9.5	13.1	9.1	9.4	9.6	9.9	10.1	10.4	10.7
Defense—Military Programs	655.4	586.3	640.6	656.7	672.4	688.5	705.2	722.4	740.1	758.3	776.8	796.0
Education	57.5	33.1	38.7	53.3	60.9	68.9	75.4	80.6	83.6	87.1	91.4	93.7
Energy	22.7	21.5	25.7	26.1	26.5	26.8	27.5	28.0	28.6	29.1	29.6	30.3
Health and Human Services	874.5	892.2	946.4	1,046.3	1,101.5	1,138.4	1,182.5	1,274.2	1,368.0	1,442.8	1,563.0	1,638.8
Homeland Security	45.9	67.1	42.4	44.4	45.4	46.7	48.7	50.2	51.6	53.2	57.3	59.1
Housing and Urban Development	40.1	67.9	44.1	45.1	46.1	47.1	48.1	49.3	50.5	51.6	52.9	54.2
Interior	11.5	11.7	12.4	12.8	13.1	13.9	14.3	14.7	15.3	15.4	15.8	16.2
Justice	31.4	28.2	41.7	32.3	34.9	34.0	34.8	35.8	36.7	37.7	38.7	39.7
Labor	105.4	89.3	68.4	60.6	60.3	60.1	60.3	61.6	63.7	65.9	68.2	70.1
State	30.1	28.7	31.0	31.6	32.3	33.0	33.8	34.5	35.3	36.1	36.9	37.7
Transportation	70.1	82.7	72.1	73.6	74.1	74.6	75.2	75.8	76.4	77.0	77.7	78.3
Treasury	442.6	530.3	498.1	553.9	613.9	699.8	799.0	898.5	981.2	1,059.4	1,134.7	1,208.9
Veterans Affairs	124.0	137.2	149.5	157.1	165.8	173.3	182.4	191.0	200.0	209.1	218.5	227.8
Corps of Engineers—Civil Works	6.8	9.8	8.7	9.0	9.3	9.6	9.9	10.2	10.6	10.9	11.3	11.6
Other Defense Civil Programs	81.1	59.3	61.4	63.5	65.5	67.5	68.1	70.2	72.5	74.9	77.5	79.3
Environmental Protection Agency	10.8	8.5	8.6	8.8	9.0	9.3	9.5	9.8	10.0	10.2	10.5	10.8
Executive Office of the President	0.4	0.4	0.4	0.4	0.4	0.7	0.5	4.8	4.6	0.5	0.5	0.6
General Services Administration	–1.0	0.3	–1.5	–1.6	–1.6	–1.6	–1.6	–1.7	–1.7	–1.7	–1.7	–1.7
International Assistance Programs	63.2	25.1	19.1	17.9	18.5	19.7	22.0	25.3	27.2	28.3	29.6	30.1
National Aeronautics and Space Administration	17.8	17.0	18.3	18.7	19.1	19.5	20.0	20.4	20.9	21.3	21.8	22.3
National Science Foundation	7.2	6.8	7.3	7.5	7.6	7.7	7.9	8.0	8.2	8.4	8.5	8.7
Office of Personnel Management	83.6	86.9	85.3	89.3	93.4	105.3	109.8	114.6	119.5	124.7	130.3	135.7
Small Business Administration	2.7	1.0	1.1	1.1	1.2	1.2	1.2	1.2	1.3	1.3	1.3	1.4
Social Security Administration	826.0	876.4	925.7	981.0	1,042.0	1,097.3	1,154.4	1,224.2	1,293.2	1,362.7	1,443.1	1,517.6
On-Budget	(188.8)	(110.0)	(84.4)	(92.0)	(102.5)	(104.1)	(105.2)	(115.7)	(122.0)	(128.1)	(139.9)	(141.7)
Off-Budget	(637.2)	(766.4)	(841.3)	(888.9)	(939.5)	(993.2)	(1,049.3)	(1,108.4)	(1,171.3)	(1,234.6)	(1,303.2)	(1,375.9)
Other Independent Agencies	25.6	28.5	29.9	33.1	33.4	34.2	36.1	38.0	38.7	39.6	39.9	39.8
On-Budget	(23.3)	(28.5)	(29.9)	(33.1)	(33.4)	(34.2)	(36.2)	(38.0)	(38.7)	(39.6)	(39.9)	(39.8)
Off-Budget	(2.3)	....	....	(0.0)	....	(–0.0)	(–0.0)	(–0.0)	(–0.0)	(–0.0)	(–0.0)	(–0.0)
Allowances	....	5.9	–115.3	–141.4	–148.0	–150.6	–155.0	–159.4	–164.4	–170.6	–63.1	–65.0
Undistributed Offsetting Receipts												
On-Budget	(–102.7)	(–126.5)	(–122.7)	(–132.1)	(–140.0)	(–142.0)	(–140.2)	(–150.1)	(–157.0)	(–162.0)	(–169.3)	(–173.4)
Off-Budget	(–128.0)	(–121.8)	(–116.8)	(–113.3)	(–110.7)	(–110.2)	(–109.6)	(–112.0)	(–111.5)	(–113.3)	(–111.4)	(–111.0)
Total	**3,576.2**	**3,625.4**	**3,588.4**	**3,801.6**	**4,018.3**	**4,240.1**	**4,489.1**	**4,790.4**	**5,075.7**	**5,333.7**	**5,767.2**	**6,036.6**
On-Budget	(3,064.7)	(2,980.8)	(2,864.0)	(3,026.0)	(3,189.5)	(3,357.0)	(3,549.5)	(3,794.0)	(4,015.8)	(4,212.4)	(4,575.3)	(4,771.8)
Off-Budget	(511.5)	(644.6)	(724.4)	(775.6)	(828.8)	(883.1)	(939.7)	(996.5)	(1,059.8)	(1,121.3)	(1,191.8)	(1,264.8)

27. TRUST FUNDS AND FEDERAL FUNDS

As is common for State and local government budgets, the budget for the Federal Government contains information about collections and expenditures for different types of funds. This chapter presents summary information about the transactions of the two major fund groups used by the Federal Government, trust funds and Federal funds. It also presents information about the income and outgo of the major trust funds and a number of Federal funds that are financed by dedicated collections in a manner similar to trust funds.

The Federal Funds Group

The Federal funds group includes all financial transactions of the Government that are not required by law to be recorded in trust funds. It accounts for a larger share of the budget than the trust funds group.

The Federal funds group includes the "general fund," which is used for the general purposes of Government rather than being restricted by law to a specific program. The general fund is the largest fund in the Government and it receives all collections not dedicated for some other fund, including virtually all income taxes and many excise taxes. The general fund is used for all programs that are not supported by trust, special, or revolving funds.

The Federal funds group also includes special funds and revolving funds, both of which receive collections that are dedicated by law for specific purposes. Where the law requires that Federal fund collections be dedicated to a particular program, the collections and associated disbursements are recorded in special fund receipt and expenditure accounts.[1] An example is the portion of the Outer Continental Shelf mineral leasing receipts deposited into the Land and Water Conservation Fund. Money in special fund receipt accounts must be appropriated before it can be obligated and spent. The majority of special fund collections are derived from the Government's power to impose taxes or fines, or otherwise compel payment, as in the case of the Nuclear Waste Disposal Fund. In addition, a significant amount of collections credited to special funds is derived from certain types of business-like activity, such as the sale of Government land or other assets or the use of Government property. These collections include receipts from timber sales and royalties from oil and gas extraction.

Revolving funds are used to conduct continuing cycles of business-like activity. Revolving funds receive proceeds from the sale of products or services, and these proceeds finance ongoing activities that continue to provide products or services. Instead of being deposited in receipt accounts, the proceeds are recorded in revolving fund expenditure accounts. The proceeds are generally available for obligation and expenditure without further legislative action. Outlays for programs with revolving funds are reported both gross and net of these proceeds; gross outlays include the expenditures from the proceeds and net program outlays are derived by subtracting the proceeds from gross outlays. Because the proceeds of these sales are recorded as offsets to outlays within expenditure accounts rather than receipt accounts, the proceeds are known as "offsetting collections."[2] There are two classes of revolving funds in the Federal funds group. Public enterprise funds, such as the Postal Service Fund, conduct business-like operations mainly with the public. Intragovernmental funds, such as the Federal Buildings Fund, conduct business-like operations mainly within and between Government agencies.

The Trust Funds Group

The trust funds group consists of funds that are designated by law as trust funds. Like special funds and revolving funds, trust funds receive collections that are dedicated by law for specific purposes. Many of the larger trust funds are used to budget for social insurance programs, such as Social Security, Medicare, and unemployment compensation. Other large trust funds are used to budget for military and Federal civilian employees' retirement benefits, highway and transit construction and maintenance, and airport and airway development and maintenance. There are a few trust revolving funds that are credited with collections earmarked by law to carry out a cycle of business-type operations. There are also a few small trust funds that have been established to carry out the terms of a conditional gift or bequest.

There is no substantive difference between special funds in the Federal funds group and trust funds, or between revolving funds in the Federal funds group and trust revolving funds. Whether a particular fund is designated in law as a trust fund is, in many cases, arbitrary. For example, the National Service Life Insurance Fund is a trust fund, but the Servicemen's Group Life Insurance Fund is a Federal fund, even though both receive dedicated collections from veterans and both provide life insurance payments to veterans' beneficiaries.[3]

[1] There are two types of budget accounts: expenditure (or appropriation) accounts and receipt accounts. Expenditure accounts are used to record outlays and receipt accounts are used to record governmental receipts and offsetting receipts.

[2] See Chapter 15 in this volume for more information on offsetting collections and offsetting receipts.

[3] Another example is the Violent Crime Reduction Trust Fund, which expired in 2000. Despite the presence of the words "Trust Fund" in its official name, the Fund was classified as a Federal fund because it was not required by law to be classified as a trust fund. In addition, the Fund was substantively a means of accounting for general fund appropriations and did not contain any dedicated receipts. Programs formerly funded through the Fund are now funded through general appropriations.

The Federal Government uses the term “trust fund” differently than the way in which it is commonly used. In common usage, the term is used to refer to a private fund that has a beneficiary who owns the trust’s income and may also own the trust’s assets. A custodian or trustee manages the assets on behalf of the beneficiary according to the terms of the trust agreement, as established by a trustor. Neither the trustee nor the beneficiary can change the terms of the trust agreement; only the trustor can change the terms of the agreement. In contrast, the Federal Government owns and manages the assets and the earnings of most Federal trust funds and can unilaterally change the law to raise or lower future trust fund collections and payments or change the purpose for which the collections are used. Only a few small Federal trust funds are managed pursuant to a trust agreement whereby the Government acts as the trustee; even then the Government generally owns the funds and has some ability to alter the amount deposited into or paid out of the funds.

Deposit funds, which are funds held by the Government as a custodian on behalf of individuals or a non-Federal entity, are similar to private-sector trust funds. The Government makes no decisions about the amount of money placed in deposit funds or about how the proceeds are spent. For this reason, these funds are not classified as Federal trust funds, but are instead considered to be non-budgetary and excluded from the Federal budget.[4]

The income of a Federal Government trust fund must be used for the purposes specified in law. The income of some trust funds, such as the Federal Employees Health Benefits fund, is spent almost as quickly as it is collected. In other cases, such as the Social Security and Federal civilian employees’ retirement trust funds, the trust fund income is not spent as quickly as it is collected. Currently, these funds do not use all of their annual income (which includes intragovernmental interest income). This surplus of income over outgo adds to the trust fund’s balance, which is available for future expenditures. The balances are generally required by law to be invested in Federal securities issued by the Department of the Treasury.[5] The National Railroad Retirement Investment Trust is a rare example of a Government trust fund authorized to invest balances in equity markets.

A trust fund normally consists of one or more receipt accounts (to record income) and an expenditure account (to record outgo). However, a few trust funds, such as the Veterans Special Life Insurance fund, are established by law as trust revolving funds. Such a fund is similar to a revolving fund in the Federal funds group in that it may consist of a single account to record both income and outgo. Trust revolving funds are used to conduct a cycle of business-type operations; offsetting collections are credited to the funds (which are also expenditure accounts) and the funds’ outlays are displayed net of the offsetting collections.

[4] Deposit funds are discussed briefly in Chapter 12 of this volume, “Coverage of the Budget.”

[5] Securities held by trust funds (and by other Government accounts), debt held by the public, and gross Federal debt are discussed in Chapter 5 of this volume, “Federal Borrowing and Debt.”

Income and Outgo by Fund Group

Table 27–1 shows income, outgo, and the surplus or deficit by fund group and in the aggregate (netted to avoid double-counting) from which the total unified budget receipts, outlays, and surplus or deficit are derived. Income consists mostly of governmental receipts (derived from governmental activity, primarily income, payroll, and excise taxes). Income also consists of offsetting receipts, which include proprietary receipts (derived from business-like transactions with the public), interfund collections (derived from payments from a fund in one fund group to a fund in the other fund group), and gifts. Outgo consists of payments made to the public or to a fund in the other fund group.

Two types of transactions are treated specially in the table. First, income and outgo for each fund group exclude all transactions that occur between funds within the same fund group.[6] These intrafund transactions constitute outgo and income for the individual funds that make and collect the payments, but they are offsetting within the fund group as a whole. The totals for each fund group measure only the group’s transactions with the public and the other fund group. Second, outgo is calculated net of the collections from Federal sources that are credited to expenditure accounts (which, as noted above, are referred to as offsetting collections); the spending that is financed by those collections is included in outgo and the collections from Federal sources are subsequently subtracted from outgo.[7] Although it would be conceptually correct to add interfund offsetting collections from Federal sources to income for a particular fund, this cannot be done at the present time because the budget data do not provide this type of detail. As a result, both interfund and intrafund offsetting collections from Federal sources are offset against outgo in Table 27–1 and are not shown separately.

The vast majority of the interfund transactions in the table are payments by the Federal funds to the trust funds. These payments include interest payments from the general fund to the trust funds for interest earned on trust fund balances invested in interest-bearing Treasury securities. The payments also include payments by Federal agencies to Federal employee benefits trust funds and Social Security trust funds on behalf of current employees and general fund transfers to employee retirement trust funds to amortize the unfunded liabilities of these funds. In addition, the payments include general fund transfers to the Supplementary Medical Insurance trust fund for the cost of Medicare Parts B (outpatient

[6] For example, the railroad retirement trust funds pay the equivalent of Social Security benefits to railroad retirees in addition to the regular railroad pension. These benefits are financed by a payment from the Federal Old-Age and Survivors Insurance trust fund to the railroad retirement trust funds. The payment and collection are not included in Table 27–1 so that the total trust fund income and outgo shown in the table reflect disbursements to the public and to Federal funds.

[7] Collections from non-Federal sources are shown as income and spending that is financed by those collections is shown as outgo. For example, postage stamp fees are deposited as offsetting collections in the Postal Service Fund. As a result, the Fund’s income reported in Table 27–1 includes Postage stamp fees and the Fund’s outgo is gross disbursements, including disbursements financed by those fees.

Table 27–1. RECEIPTS, OUTLAYS AND SURPLUS OR DEFICIT BY FUND GROUP
(In billions of dollars)

	2012 Actual	Estimate					
		2013	2014	2015	2016	2017	2018
Receipts:							
Federal funds cash income:							
From the public	1,897.5	2,063.4	2,306.5	2,548.1	2,704.8	2,845.8	3,001.9
From trust funds	2.3	1.9	1.8	1.7	1.6	1.6	1.6
Total, Federal funds cash income	1,899.8	2,065.3	2,308.3	2,549.8	2,706.4	2,847.4	3,003.5
Trust funds cash income:							
From the public	1,042.5	1,154.1	1,241.0	1,308.6	1,399.6	1,467.0	1,532.0
From Federal funds:							
Interest	127.1	156.6	150.2	149.8	147.8	145.2	145.4
Other	588.2	521.5	510.6	558.2	613.3	646.5	660.2
Total, Trust funds cash income	1,757.9	1,832.2	1,901.8	2,016.6	2,160.7	2,258.6	2,337.5
Offsetting collections from the public and receipts:							
Federal funds	–356.2	–366.3	–369.0	–367.7	–371.3	–373.3	–378.9
Trust funds	–851.3	–819.1	–807.4	–866.9	–934.3	–972.2	–988.1
Total, offsetting collections from the public and receipts	–1,207.5	–1,185.4	–1,176.4	–1,234.7	–1,305.6	–1,345.5	–1,367.0
Total, unified budget receipts	2,450.2	2,712.0	3,033.6	3,331.7	3,561.5	3,760.5	3,974.0
Federal funds	1,543.6	1,699.0	1,939.3	2,182.0	2,335.1	2,474.1	2,624.6
Trust funds	906.6	1,013.1	1,094.4	1,149.7	1,226.4	1,286.4	1,349.4
Outlays:							
Federal funds cash outgo	3,076.6	3,105.9	3,129.5	3,244.4	3,385.7	3,511.0	3,646.2
Trust funds cash outgo	1,668.0	1,764.5	1,824.7	1,898.5	2,009.8	2,082.0	2,170.1
Offsetting collections from the public and receipts:							
Federal funds	–356.2	–366.3	–369.0	–367.7	–371.3	–373.3	–378.9
Trust funds	–851.3	–819.1	–807.4	–866.9	–934.3	–972.2	–988.1
Total, offsetting collections from the public and receipts	–1,207.5	–1,185.4	–1,176.4	–1,234.7	–1,305.6	–1,345.5	–1,367.0
Total, unified budget outlays	3,537.1	3,684.9	3,777.8	3,908.2	4,089.8	4,247.4	4,449.2
Federal funds	2,720.4	2,739.5	2,760.5	2,876.6	3,014.4	3,137.6	3,267.3
Trust funds	816.7	945.4	1,017.3	1,031.5	1,075.5	1,109.8	1,182.0
Surplus or deficit(–):							
Federal funds	–1,176.8	–1,040.6	–821.2	–694.6	–679.3	–663.5	–642.7
Trust funds	89.9	67.6	77.0	118.1	150.9	176.6	167.4
Total, unified surplus/deficit(–)	–1,087.0	–972.9	–744.2	–576.5	–528.4	–486.9	–475.3

Note: Receipts include governmental, interfund, and proprietary, and exclude intrafund receipts (which are offset against intrafund payments so that cash income and cash outgo are not overstated).

and physician benefits) and D (prescription drug benefits) that is not covered by premiums (or, for Part D, transfers from States).

In 2011, 2012, and 2013, general fund transfers were made to the Social Security trust funds to hold the funds harmless for the two-year (2 percentage point) reduction in the Social Security payroll tax rate initially enacted in the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 and subsequently extended in the Temporary Tax Cut Continuation Act of 2011 and the Middle Class Tax Relief and Job Creation Act of 2012. These transfers substitute for the payroll tax revenue lost by the payroll tax reduction, so that the balances of the Social Security trust funds are the same as they would have been in the absence of the legislation. As a result, the payroll tax reduction did not impact the long-term solvency of the trust funds.

In addition to investing their balances with Treasury, some funds in the Federal funds group and most trust funds are authorized to borrow from the general fund of the Treasury.[8] Similar to the treatment of funds invested with Treasury, borrowed funds are not recorded as receipts of the fund or included in the income of the fund. Rather, the borrowed funds finance outlays by the fund in excess of available receipts. Subsequently, any excess fund receipts are transferred from the fund to the general fund in repayment of the borrowing. The repayment is not recorded as an outlay of the fund or included in fund out-

[8] For example, the Unemployment trust fund borrowed $22 billion from the general fund in 2011 for unemployment benefits; the Bonneville Power Administration Fund, a revolving fund in the Department of Energy, is authorized to borrow from the general fund; and the Black Lung Disability Trust Fund, a trust fund in the Department of Labor, is authorized to receive appropriations of repayable advances from the general fund, which constitutes a form of borrowing.

Table 27–2. COMPARISON OF TOTAL FEDERAL FUND AND TRUST FUND RECEIPTS TO UNIFIED BUDGET RECEIPTS, FISCAL YEAR 2012
(In billions of dollars)

Gross Trust fund receipts	1,748.7
Gross Federal fund receipts	1,715.6
Total, gross receipts	3,464.3
Deduct intrafund receipts (from funds within same fund group):	
Trust fund intrafund receipts	–9.1
Federal fund intrafund receipts	–4.8
Subtotal, intrafund receipts	–13.9
Total Trust funds and Federal Funds cash income	3,450.4
Deduct other offsetting receipts:	
Trust fund receipts from Federal funds:	
Interest in receipt accounts	–127.1
General fund payments to Medicare Parts B and D	–210.5
Employing agencies' payments for pensions, Social Security, and Medicare	–72.8
General fund payments for unfunded liabilities of Federal employees' retirement funds	–98.2
Transfer of taxation of Social Security and RRB benefits to OASDI, HI, and RRB	–46.6
Other receipts from Federal funds	–160.1
Subtotal, Trust fund receipts from Federal funds	–715.4
Federal fund receipts from Trust funds	–2.3
Proprietary receipts	–273.9
Offsetting governmental receipts	–8.6
Subtotal, offsetting receipts	–1,000.2
Unified budget receipts	2,450.2

Note: Offsetting receipts are included in cash income for each fund group, but are deducted from outlays in the unified budget.

go. This treatment is consistent with the broad principle that borrowing and debt redemption are not budgetary transactions but rather a means of financing deficits or disposing of surpluses.[9]

Some income in both Federal funds and trust funds consists of offsetting receipts.[10] Offsetting receipts are not considered governmental receipts (such as taxes), but they are instead recorded on the outlay side of the budget. Expenditures resulting from offsetting receipts are recorded as gross outlays and the collections of offsetting receipts are then subtracted from gross outlays to derive net outlays. Net outlays reflect the government's net transactions with the public.

As shown in Table 27-1, 37.0 percent of all governmental receipts were deposited in trust funds in 2012 and the remaining 63.0 percent of receipts were deposited in Federal funds, which, as noted above, include the general fund. Although accounting for well over one-third of all receipts, the trust funds accounted for a much smaller share, only 23.1 percent, of outlays. The significance of this difference between the trust fund share of receipts and the trust fund share of outlays is discussed in the next section.

Because the income for Federal funds and trust funds recorded in Table 27–1 includes offsetting receipts and offsetting collections from the public, offsetting receipts and offsetting collections from the public must be deducted from the two fund groups' combined gross income in order to reconcile to total governmental receipts in the unified budget. Similarly, because the outgo for Federal funds and trust funds in Table 27–1 consists of outlays gross of offsetting receipts and offsetting collections from the public, the amount of the offsetting receipts and offsetting collections from the public must be deducted from the sum of the Federal funds' and the trust funds' gross outgo in order to reconcile to total (net) unified budget outlays. Table 27–2 reconciles, for fiscal year 2012, the gross total of all trust fund and Federal fund receipts with the net total of the cash income of the Federal fund group and the trust fund group (as shown in Table 27–1) and with the receipt total of the unified budget.

Income, Outgo, and Balances of Trust Funds

Table 27–3 shows, for the trust funds group as a whole, the funds' balance at the start of each year, income and outgo during the year, and the end-of-year balance.[11] Income and outgo are divided between transactions with the public and transactions with Federal funds. Receipts from Federal funds are divided between interest and other interfund receipts.

The definitions of income and outgo in this table differ from those in Table 27–1 in one important way. Trust fund collections that are offset against outgo (offsetting collections from Federal sources) within expenditure accounts instead of being deposited in separate receipt accounts are classified as income in this table, but not in Table 27–1. This classification is consistent with the definitions of income and outgo for trust funds used elsewhere in the budget. It has the effect of increasing both income and outgo by the amount of the offsetting collections from Federal sources. The difference was approximately $47 billion in 2012. Table 27–3, therefore, provides a more complete summary of trust fund income and outgo.

The trust funds group is expected to have large surpluses over the projection period. As a consequence, trust fund balances are estimated to grow substantially, continuing a trend that has persisted over the past several decades.[12] The size of the anticipated balances is unprecedented and results mainly from changes in the way some trust funds (primarily Social Security and the Federal retirement funds) are financed.

Because of these changes and economic growth (both real and inflationary), trust fund balances increased from $205 billion in 1982 to $4.4 trillion in 2012. The current balances are estimated to increase by approximately 17 percent by the year 2018, rising to $5.1 trillion. Almost all

[9] Borrowing and debt repayment are discussed in Chapter 5 of this volume, "Federal Borrowing and Debt," and Chapter 11 of this volume, "Budget Concepts."

[10] Interest on borrowed funds is an example of an intragovernmental offsetting receipt and Medicare Part B's premiums are an example of offsetting receipts from the public.

[11] The Budget's proposal to move to chained CPI will likely affect trust funds, but those effects are not reflected in tables in this chapter.

[12] Because of the economic downturn, Social Security trust fund collections from the public (payroll taxes) fell well below Social Security benefit payments in 2010, 2011, and 2012; however, because of interest earnings on trust fund investments, Social Security trust fund balances continued to grow in these years.

Table 27–3. INCOME, OUTGO, AND BALANCES OF TRUST FUNDS GROUP
(In billions of dollars)

	2012 Actual	Estimate					
		2013	2014	2015	2016	2017	2018
Balance, start of year	4,297.8	4,388.5	4,456.0	4,533.1	4,651.2	4,802.1	4,978.7
Adjustments	0.8	....	....	....	....	....	....
Total balance, start of year	4,298.6	4,388.5	4,456.0	4,533.1	4,651.2	4,802.1	4,978.7
Income:							
Governmental receipts	906.6	1,013.1	1,094.4	1,149.7	1,226.4	1,286.4	1,349.4
Offsetting governmental receipts	*	*	*	3.0	9.4	8.6	2.2
Proprietary receipts	135.9	141.0	146.6	155.9	163.8	171.9	180.3
Receipts from Federal funds:							
Interest	128.5	158.5	151.5	151.0	149.0	146.7	147.7
Other	634.3	566.7	557.8	607.2	664.6	700.4	716.9
Subtotal, income	1,805.3	1,879.3	1,950.3	2,066.8	2,213.2	2,314.0	2,396.6
Outgo (–):							
To the public	–1,716.8	–1,810.6	–1,872.2	–1,947.6	–2,061.2	–2,136.2	–2,227.9
To Federal funds	1.4	–1.0	–1.0	–1.1	–1.1	–1.2	–1.3
Subtotal, outgo	–1,715.4	–1,811.6	–1,873.2	–1,948.7	–2,062.3	–2,137.4	–2,229.1
Change in fund balance:							
Surplus or deficit (–):							
Excluding interest	–38.6	–90.8	–74.4	–32.9	1.9	29.9	19.8
Interest from Federal funds	128.5	158.5	151.5	151.0	149.0	146.7	147.7
Subtotal, surplus or deficit (–)	89.9	67.6	77.0	118.1	150.9	176.6	167.4
Borrowing/Transfers/lapses (net)	0.2	0.2	*	....	....	....	....
Subtotal, change in fund balance	0.2	0.2	*	....	....	....	....
Balance, end of year	4,388.5	4,456.0	4,533.1	4,651.2	4,802.1	4,978.7	5,146.2

Note: In contrast to table 27–1, income also includes income that is offset within expenditure accounts as offsetting collections from Federal sources, instead of being deposited in receipt accounts.

of these balances are invested in Treasury securities and earn interest. The balances represent the value, in current dollars, of the unspent portion of (1) taxes and fees received by the Government and dedicated to trust funds and (2) intragovernmental payments (from the general fund and from agencies) to the trust funds.

Until the 1980s, most trust funds operated on a pay-as-you-go basis as distinct from a pre-funded basis. Taxes and fees were set at levels sufficient to finance current program expenditures and administrative expenses, and to maintain balances generally equal to one year's worth of expenditures (to provide for unexpected events). As a result, trust fund balances tended to grow at about the same rate as the fund's annual expenditures.

For some of the larger trust funds, pay-as-you-go financing was replaced in the 1980s by full or partial advance funding. The Social Security Amendments of 1983 raised payroll taxes above the levels necessary to finance current expenditures. Similarly, in 1985, a new system took effect that funded military retirement benefits on a full accrual basis and, in 1986, full accrual funding of retirement benefits was mandated for Federal civilian employees hired after December 31, 1983. The two retirement programs now require Federal agencies and employees together to pay the trust funds that disburse Federal civilian and military retirement benefits an amount equal to those accruing retirement benefits. Since many years will pass between the time when benefits are earned (or accrued) and when they are paid, the trust funds will accumulate substantial balances over time.

From the perspective of the trust fund, these balances represent the value, in today's dollars, of taxes, fees, and other income that the trust fund has received in the past for the purpose of funding future benefits and services. Trust fund assets held in Treasury bonds are legal claims on the Treasury, similar to bonds issued to the public. Like all other fund assets, these are available to the fund for future benefit payments and other expenditures.

From the perspective of the Government as a whole, the trust fund balances do not represent net additions to the Government's balance sheet. The trust fund balances are assets of the agencies responsible for administering the trust fund programs. The trust fund balances are also liabilities of the Treasury. These assets and liabilities cancel each other out in the government-wide balance sheet. When trust fund holdings are redeemed to fund the payment of benefits, the Department of the Treasury finances the expenditure in the same way as any other Federal expenditure—by using current receipts if the unified budget is in surplus or by borrowing from the public if it is in deficit. Therefore, the existence of large trust fund balances, while representing a legal claim on the Treasury, does not, by itself, determine the Government's ability to pay benefits. From an economic standpoint, the Government is able to pre-fund benefits only by increasing saving and investment in the economy as a whole, which increases future national income and, as a result, strengthens the Nation's ability to support future benefits. This can be accomplished by simultaneously running trust fund surpluses while maintaining an unchanged Federal fund surplus or deficit, so that the trust fund surplus reduces the unified budget deficit or increases the unified budget surplus.

This demonstrates the need to follow a fiscal policy that is consistent with the Government's obligation to repay the bonds when needed to pay benefits in the future. This means saving more now before the obligations become due and pursuing policies that will increase long-run growth and national income. Otherwise, the Nation will have fewer resources available in the future to meet its obligations and will face more difficult choices among cutting spending, raising taxes, or borrowing from private credit markets.

Table 27–4 shows estimates of income, outgo, and balances for 2012 through 2018 for the major trust funds. With the exception of transactions between trust funds, the data for the individual trust funds are conceptually the same as the data in Table 27–3 for the trust funds group. As explained previously, transactions between trust funds are shown as outgo of the fund that makes the payment and as income of the fund that collects it in the data for an individual trust fund, but the collections are offset against outgo in the data for the trust fund group as a whole. A brief description of the funding sources for the major trust funds is given below; additional information for these and other trust funds can be found in the Status of Funds tables in the *Budget Appendix*.

- Social Security Trust Funds: The Social Security trust funds are funded by payroll taxes from employers and employees, interest earnings on trust fund balances, Federal agency payments as employers, and a portion of the income taxes paid on Social Security benefits.
- Medicare Trust Funds: Like the Social Security trust funds, the Medicare Hospital Insurance (HI) trust fund is funded by payroll taxes from employers and employees, Federal agency payments as employers, and a portion of the income taxes paid on Social Security benefits. In addition, the HI trust fund receives transfers from the general fund of the Treasury for certain HI benefits. The other Medicare trust fund, Supplementary Medical Insurance (SMI), finances Part B (outpatient and physician benefits) and Part D (prescription drug benefits). SMI receives premium payments from covered individuals and transfers from the general fund of the Treasury for the portion of Part B and Part D costs not covered by premiums or, for Part D, transfers from States. In addition, like other trust funds, these two trust funds receive interest earnings on any trust fund balances.
- Unemployment Trust Fund: The Unemployment Trust Fund is funded by taxes on employers, payments from Federal agencies, taxes on certain employees, and interest earnings on trust fund balances. In addition, as noted above, some trust funds have the authority to borrow from the general fund of the Treasury and in 2012 the Unemployment Trust Fund borrowed $12.9 billion from the general fund. This borrowed amount is repayable with interest and allowed the trust fund to meet its legal obligations to pay benefits and make repayable advances to States.
- Civilian and military retirement trust funds: The Civil Service Retirement and Disability Fund is funded by employee and agency payments, general fund transfers for the unfunded portion of retirement costs, and interest earnings on trust fund balances. The Military Retirement Fund is funded by payments from the Department of Defense, general fund transfers for unfunded retirement costs, and interest earnings on trust fund balances.

As noted, trust funds are funded by a combination of payments from the public and payments from Federal funds, including payments directly from the general fund and payments from agency appropriations. Just as the funding sources for trust funds are specified in law, the uses for trust fund balances are specified in law.

Table 27–5 shows income, outgo, and balances of five Federal funds–three revolving funds and two special funds. These five funds are similar to trust funds in that they are financed by dedicated receipts, the excess of income over outgo is invested in Treasury securities, the interest earnings add to fund balances, and the balances remain available to cover future expenditures. The table is illustrative of the Federal funds group, which includes many other revolving funds and special funds.

Table 27–4. INCOME, OUTGO, AND BALANCE OF MAJOR TRUST FUNDS

(In billions of dollars)

	2012 Actual	Estimate					
		2013	2014	2015	2016	2017	2018
Airport and Airway Trust Fund							
Balance, start of year	10.3	11.6	11.6	11.5	12.0	13.1	14.9
Adjustments	....	....	....	....	....	....	....
Total balance, start of year	10.3	11.6	11.6	11.5	12.0	13.1	14.9
Income:							
Governmental receipts	12.5	11.9	13.0	13.5	14.1	14.7	15.3
Offsetting governmental receipts							
Proprietary receipts	....	*	*	*	*	*	*
Receipts from Federal funds:							
Interest	0.2	0.2	0.2	0.2	0.2	0.3	0.4
Other	0.1	0.1	*	*	*	*	*
Receipts from Trust funds	....	....	....	....	....	....	....
Subtotal, income	12.8	12.3	13.3	13.8	14.4	15.1	15.8
Outgo (–):							
To the public	–11.5	–12.3	–13.4	–13.3	–13.3	–13.3	–13.6
Payments to other funds	....	....	....	....	....	....	....
Subtotal, outgo	–11.5	–12.3	–13.4	–13.3	–13.3	–13.3	–13.6
Change in fund balance:							
Surplus or deficit(–):							
Excluding interest	1.1	–0.3	–0.3	0.3	0.9	1.5	1.8
Interest	0.2	0.2	0.2	0.2	0.2	0.3	0.4
Subtotal, surplus or deficit(–)	1.3	–0.1	–0.1	0.5	1.1	1.8	2.2
Borrowing/Transfers/lapses (net)	....	....	....	....	....	....	....
Total, change in fund balance	1.3	–0.1	–0.1	0.5	1.1	1.8	2.2
Balance, end of year	11.6	11.6	11.5	12.0	13.1	14.9	17.1
Civil Service Retirement and Disability Fund							
Balance, start of year	803.8	826.6	839.7	847.6	852.7	860.0	865.8
Adjustments	....	....	....	....	....	....	....
Total balance, start of year	803.8	826.6	839.7	847.6	852.7	860.0	865.8
Income:							
Governmental receipts	3.7	3.7	4.5	5.2	6.1	6.4	6.6
Offsetting governmental receipts	....	....	....	....	....	....	....
Proprietary receipts	....	....	....	....	....	....	....
Receipts from Federal funds:							
Interest	34.6	31.6	30.0	28.7	27.6	27.0	27.5
Other	58.4	57.8	58.9	60.0	61.6	63.7	65.3
Receipts from Trust funds	....	....	....	....	....	....	....
Subtotal, income	96.8	93.2	93.3	94.0	95.2	97.1	99.4
Outgo (–):							
To the public	–74.1	–80.0	–85.5	–88.9	–87.9	–91.4	–95.0
Payments to other funds	–*	–*	–*	–*	–*	–*	–*
Subtotal, outgo	–74.1	–80.0	–85.5	–88.9	–87.9	–91.4	–95.0
Change in fund balance:							
Surplus or deficit(–):							
Excluding interest	–11.9	–18.5	–22.1	–23.6	–20.3	–21.3	–23.1
Interest	34.6	31.6	30.0	28.7	27.6	27.0	27.5
Subtotal, surplus or deficit(–)	22.7	13.2	7.9	5.1	7.3	5.7	4.4
Borrowing/Transfers/lapses (net)	....	....	....	....	....	....	....
Total, change in fund balance	22.7	13.2	7.9	5.1	7.3	5.7	4.4
Balance, end of year	826.6	839.7	847.6	852.7	860.0	865.8	870.2

Table 27–4. INCOME, OUTGO, AND BALANCE OF MAJOR TRUST FUNDS—Continued
(In billions of dollars)

	2012 Actual	Estimate					
		2013	2014	2015	2016	2017	2018
Federal Employees Health Benefits Fund							
Balance, start of year	19.1	21.2	21.8	22.0	21.9	21.6	21.4
Adjustments	....	....	....	....	....	....	....
Total balance, start of year	19.1	21.2	21.8	22.0	21.9	21.6	21.4
Income:							
Governmental receipts	....	....	....	....	....	....	....
Offsetting governmental receipts	....	....	....	....	....	....	....
Proprietary receipts	13.1	13.4	14.2	14.9	15.9	16.9	18.0
Receipts from Federal funds:							
Interest	0.2	0.3	0.2	0.2	0.2	0.3	0.6
Other	31.5	32.2	33.6	35.2	37.3	39.7	42.3
Receipts from Trust funds	....	....	....	....	....	....	....
Subtotal, income	44.7	46.0	48.0	50.3	53.3	56.9	60.9
Outgo (–):							
To the public	–42.6	–45.3	–47.8	–50.4	–53.7	–57.0	–60.6
Payments to other funds	....	....	....	....	....	....	....
Subtotal, outgo	–42.6	–45.3	–47.8	–50.4	–53.7	–57.0	–60.6
Change in fund balance:							
Surplus or deficit(–):							
Excluding interest	1.9	0.3	–*	–0.3	–0.6	–0.4	–0.3
Interest	0.2	0.3	0.2	0.2	0.2	0.3	0.6
Subtotal, surplus or deficit(–)	2.1	0.6	0.2	–0.1	–0.4	–0.1	0.3
Borrowing/Transfers/lapses (net)	–*	....	....	....	....	....	....
Total, change in fund balance	2.1	0.6	0.2	–0.1	–0.4	–0.1	0.3
Balance, end of year	21.2	21.8	22.0	21.9	21.6	21.4	21.7
Foreign Military Sales Trust Fund							
Balance, start of year	18.5	18.9	18.1	17.8	17.3	17.0	17.0
Adjustments	....	....	....	....	....	....	....
Total balance, start of year	18.5	18.9	18.1	17.8	17.3	17.0	17.0
Income:							
Governmental receipts	....	....	....	....	....	....	....
Offsetting governmental receipts	....	....	....	....	....	....	....
Proprietary receipts	26.3	31.4	33.0	35.0	35.0	34.4	32.7
Receipts from Federal funds:							
Interest	....	....	....	....	....	....	....
Other	....	....	....	....	....	....	....
Receipts from Trust funds	....	....	....	....	....	....	....
Subtotal, income	26.3	31.4	33.0	35.0	35.0	34.4	32.7
Outgo (–):							
To the public	–25.9	–32.2	–33.3	–35.6	–35.3	–34.5	–32.7
Payments to other funds	....	....	....	....	....	....	....
Subtotal, outgo	–25.9	–32.2	–33.3	–35.6	–35.3	–34.5	–32.7
Change in fund balance:							
Surplus or deficit(–):							
Excluding interest	0.4	–0.8	–0.3	–0.6	–0.2	–0.1	*
Interest	....	....	....	....	....	....	....
Subtotal, surplus or deficit(–)	0.4	–0.8	–0.3	–0.6	–0.2	–0.1	*
Borrowing/Transfers/lapses (net)	....	....	....	....	....	....	....
Total, change in fund balance	0.4	–0.8	–0.3	–0.6	–0.2	–0.1	*
Balance, end of year	18.9	18.1	17.8	17.3	17.0	17.0	17.0

Table 27–4. INCOME, OUTGO, AND BALANCE OF MAJOR TRUST FUNDS—Continued
(In billions of dollars)

	2012 Actual	Estimate					
		2013	2014	2015	2016	2017	2018
Medicare: Hospital Insurance (HI) Trust Fund							
Balance, start of year	245.7	229.3	200.7	186.1	183.5	181.0	184.5
Adjustments	0.1	....	....	....	....	....	....
Total balance, start of year	245.8	229.3	200.7	186.1	183.5	181.0	184.5
Income:							
Governmental receipts	201.7	209.1	224.5	238.4	254.7	269.1	284.8
Offsetting governmental receipts	....	....	....	....	....	....	....
Proprietary receipts	10.9	9.6	9.8	9.8	10.0	10.2	10.5
Receipts from Federal funds:							
Interest	11.3	10.0	8.8	8.3	8.2	8.0	7.8
Other	25.0	21.1	26.3	29.0	31.9	34.7	37.7
Receipts from Trust funds	....	....	....	....	....	....	....
Subtotal, income	248.9	249.8	269.3	285.6	304.8	322.0	340.9
Outgo (–):							
To the public	–265.3	–278.4	–283.9	–288.2	–307.4	–318.5	–335.3
Payments to other funds	....	....	....	....	....	....	....
Subtotal, outgo	–265.3	–278.4	–283.9	–288.2	–307.4	–318.5	–335.3
Change in fund balance:							
Surplus or deficit(–):							
Excluding interest	–27.8	–38.7	–23.4	–10.9	–10.8	–4.5	–2.3
Interest	11.3	10.0	8.8	8.3	8.2	8.0	7.8
Subtotal, surplus or deficit(–)	–16.5	–28.7	–14.6	–2.6	–2.5	3.5	5.6
Borrowing/Transfers/lapses (net)	....	–*	....	....	....	....	....
Total, change in fund balance	–16.5	–28.7	–14.6	–2.6	–2.5	3.5	5.6
Balance, end of year	229.3	200.7	186.1	183.5	181.0	184.5	190.0
Medicare: Supplementary Medical Insurance (SMI) Trust Fund							
Balance, start of year	72.8	71.7	69.9	68.6	72.4	71.4	79.3
Adjustments	....	....	....	....	....	....	....
Total balance, start of year	72.8	71.7	69.9	68.6	72.4	71.4	79.3
Income:							
Governmental receipts	2.8	4.2	3.0	3.0	3.0	3.8	4.1
Offsetting governmental receipts	....	....	....	....	....	....	....
Proprietary receipts	74.4	79.0	82.3	88.4	95.1	102.6	111.3
Receipts from Federal funds:							
Interest	2.9	2.1	3.0	3.0	3.3	3.6	3.9
Other	212.7	233.0	255.5	277.5	299.5	313.3	329.2
Receipts from Trust funds	....	....	....	....	....	....	....
Subtotal, income	292.9	318.3	343.8	372.0	400.9	423.3	448.4
Outgo (–):							
To the public	–293.9	–320.2	–345.0	–368.2	–401.9	–415.4	–433.0
Payments to other funds	....	....	....	....	....	....	....
Subtotal, outgo	–293.9	–320.2	–345.0	–368.2	–401.9	–415.4	–433.0
Change in fund balance:							
Surplus or deficit(–):							
Excluding interest	–4.0	–3.9	–4.2	0.8	–4.3	4.2	11.6
Interest	2.9	2.1	3.0	3.0	3.3	3.6	3.9
Subtotal, surplus or deficit(–)	–1.1	–1.9	–1.2	3.8	–1.0	7.9	15.4
Borrowing/Transfers/lapses (net)	....	–*	....	....	....	....	....
Total, change in fund balance	–1.1	–1.9	–1.2	3.8	–1.0	7.9	15.4
Balance, end of year	71.7	69.9	68.6	72.4	71.4	79.3	94.7

Table 27–4. INCOME, OUTGO, AND BALANCE OF MAJOR TRUST FUNDS—Continued
(In billions of dollars)

	2012 Actual	Estimate					
		2013	2014	2015	2016	2017	2018
Military Retirement Fund							
Balance, start of year	368.6	375.7	422.3	470.7	524.8	577.9	635.2
Adjustments	....	....	....	....	....	....	....
Total balance, start of year	368.6	375.7	422.3	470.7	524.8	577.9	635.2
Income:							
Governmental receipts	....	....	....	....	....	....	....
Offsetting governmental receipts	....	....	....	....	....	....	....
Proprietary receipts	....	....	....	....	....	....	....
Receipts from Federal funds:							
Interest	–36.3	4.9	5.8	11.2	13.5	12.3	12.8
Other	92.2	95.4	98.0	100.0	102.9	105.9	109.3
Receipts from Trust funds	....	....	....	....	....	....	....
Subtotal, income	55.9	100.3	103.8	111.2	116.4	118.2	122.1
Outgo:							
To the public	–48.8	–53.7	–55.4	–57.1	–63.3	–60.9	–57.8
Payments to other funds	....	....	....	....	....	....	....
Subtotal, outgo	–48.8	–53.7	–55.4	–57.1	–63.3	–60.9	–57.8
Change in fund balance:							
Surplus or deficit(–):							
Excluding interest	43.4	41.7	42.6	42.9	39.6	45.0	51.4
Interest	–36.3	4.9	5.8	11.2	13.5	12.3	12.8
Subtotal, surplus or deficit(–)	7.1	46.6	48.4	54.1	53.1	57.3	64.2
Borrowing/Transfers/lapses (net)	....	....	....	....	....	....	....
Total, change in fund balance	7.1	46.6	48.4	54.1	53.1	57.3	64.2
Balance, end of year	375.7	422.3	470.7	524.8	577.9	635.2	699.4
Railroad Retirement Trust Funds							
Balance, start of year	18.6	20.3	18.8	17.2	15.7	14.0	12.6
Adjustments	....	....	....	....	....	....	....
Total balance, start of year	18.6	20.3	18.8	17.2	15.7	14.0	12.6
Income:							
Governmental receipts	4.3	4.9	5.0	5.3	5.5	5.6	5.8
Offsetting governmental receipts	....	....	....	....	....	....	....
Proprietary receipts	3.5	0.6	0.5	0.6	0.6	0.7	0.7
Receipts from Federal funds:							
Interest	*	*	*	*	*	*	*
Other	0.9	0.8	0.7	0.7	0.7	0.8	0.8
Receipts from Trust funds	4.7	4.3	4.6	4.8	4.6	5.1	5.2
Subtotal, income	13.4	10.6	10.8	11.4	11.4	12.2	12.5
Outgo:							
To the public	–11.6	–12.0	–12.3	–12.7	–13.0	–13.4	–13.7
Payments to other funds	–0.1	–0.1	–0.1	–0.1	–0.2	–0.2	–0.2
Subtotal, outgo	–11.7	–12.1	–12.5	–12.9	–13.2	–13.6	–14.0
Change in fund balance:							
Surplus or deficit(–):							
Excluding interest	1.7	–1.5	–1.7	–1.5	–1.8	–1.5	–1.5
Interest	*	*	*	*	*	*	*
Subtotal, surplus or deficit(–)	1.7	–1.5	–1.7	–1.5	–1.7	–1.4	–1.4
Borrowing/Transfers/lapses (net)	*	–*	....	....	....	....	....
Total, change in fund balance	1.7	–1.5	–1.7	–1.5	–1.7	–1.4	–1.4
Balance, end of year	20.3	18.8	17.2	15.7	14.0	12.6	11.1

Table 27–4. INCOME, OUTGO, AND BALANCE OF MAJOR TRUST FUNDS—Continued

(In billions of dollars)

	2012 Actual	Estimate					
		2013	2014	2015	2016	2017	2018
Social Security:							
Old-Age, Survivors and Disability Insurance (OASDI) Trust Funds							
Balance, start of year	2,653.5	2,718.1	2,751.1	2,770.3	2,777.7	2,779.8	2,771.5
Adjustments	....	....	....	....	....	....	....
Total balance, start of year	2,653.5	2,718.1	2,751.1	2,770.3	2,777.7	2,779.8	2,771.5
Income:							
Governmental receipts	569.5	673.5	739.1	778.3	825.6	868.7	917.5
Offsetting governmental receipts	....	....	....	....	....	....	....
Proprietary receipts	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Receipts from Federal funds:							
Interest	112.4	105.6	100.0	95.6	92.0	90.7	89.4
Other	167.4	84.1	57.7	62.9	67.5	72.1	76.7
Receipts from Trust funds	....	....	....	....	....	....	....
Subtotal, income	849.4	863.3	896.9	936.9	985.2	1,031.6	1,083.6
Outgo:							
To the public	–779.3	–825.0	–872.2	–923.7	–977.5	–1,033.8	–1,092.8
Payments to other funds	–5.5	–5.2	–5.5	–5.8	–5.5	–6.1	–6.2
Subtotal, outgo	–784.9	–830.2	–877.7	–929.5	–983.1	–1,039.9	–1,099.0
Change in fund balance:							
Surplus or deficit(–):							
Excluding interest	–47.8	–72.5	–80.9	–88.3	–89.9	–99.0	–104.7
Interest	112.4	105.6	100.0	95.6	92.0	90.7	89.4
Subtotal, surplus or deficit(–)	64.6	33.1	19.2	7.4	2.1	–8.3	–15.4
Borrowing/Transfers/lapses (net)	0.2	0.2	....	....	....	....	....
Total, change in fund balance	64.8	33.3	19.2	7.4	2.1	–8.3	–15.4
Balance, end of year	2,718.1	2,751.1	2,770.3	2,777.7	2,779.8	2,771.5	2,756.1
Transportation Trust Fund							
Balance, start of year	21.6	15.6	9.5	9.8	30.1	71.0	117.7
Adjustments	0.7	....	....	....	....	....	....
Total balance, start of year	22.3	15.6	9.5	9.8	30.1	71.0	117.7
Income:							
Governmental receipts	40.2	38.7	39.0	39.4	39.8	40.0	40.3
Offsetting governmental receipts	*	*	*	*	*	*	*
Proprietary receipts	0.1	*	....	....	....	....	....
Receipts from Federal funds:							
Interest	*	*	....	....	....	....	....
Other	0.1	6.6	15.5	37.5	58.8	65.9	51.2
Receipts from Trust funds	2.4	....	....	....	....	....	....
Subtotal, income	42.8	45.2	54.5	76.9	98.6	105.9	91.5
Outgo:							
To the public	–49.5	–51.3	–54.2	–56.6	–57.7	–59.2	–60.8
Payments to other funds	....	....	....	....	....	....	....
Subtotal, outgo	–49.5	–51.3	–54.2	–56.6	–57.7	–59.2	–60.8
Change in fund balance:							
Surplus or deficit(–):							
Excluding interest	–6.7	–6.1	0.3	20.3	40.9	46.7	30.7
Interest	*	*	....	....	....	....	....
Subtotal, surplus or deficit(–)	–6.7	–6.1	0.3	20.3	40.9	46.7	30.7
Borrowing/Transfers/lapses (net)	–*	–*	....	....	....	....	....
Total, change in fund balance	–6.7	–6.1	0.3	20.3	40.9	46.7	30.7
Balance, end of year	15.6	9.5	9.8	30.1	71.0	117.7	148.4

Table 27–4. INCOME, OUTGO, AND BALANCE OF MAJOR TRUST FUNDS—Continued
(In billions of dollars)

	2012 Actual	Estimate					
		2013	2014	2015	2016	2017	2018
Unemployment Trust Fund							
Balance, start of year	–26.7	–12.6	–3.6	4.7	14.1	35.9	58.2
Adjustments	....	....	....	....	....	....	....
Total balance, start of year	–26.7	–12.6	–3.6	4.7	14.1	35.9	58.2
Income:							
Governmental receipts	66.6	60.6	58.2	58.0	69.1	69.1	66.1
Offsetting governmental receipts	....	....	....	....	....	....	....
Proprietary receipts	1.2	*	*	0.4	0.2	0.2	0.2
Receipts from Federal funds:							
Interest	0.5	0.6	0.7	0.9	1.0	1.1	1.4
Other	42.1	31.9	8.2	1.0	0.9	0.9	0.9
Receipts from Trust funds	....	....	....	....	....	....	....
Subtotal, income	110.4	93.1	67.2	60.2	71.2	71.3	68.5
Outgo:							
To the public	–96.2	–84.1	–58.8	–50.8	–49.4	–49.0	–49.0
Payments to Federal funds	....	....	....	....	....	....	....
Subtotal, outgo	–96.2	–84.1	–58.8	–50.8	–49.4	–49.0	–49.0
Change in fund balance:							
Surplus or deficit(–):							
Excluding interest	13.7	8.4	7.6	8.5	20.8	21.2	18.1
Interest	0.5	0.6	0.7	0.9	1.0	1.1	1.4
Subtotal, surplus or deficit(–)	14.2	8.9	8.3	9.4	21.8	22.3	19.5
Borrowing/Transfers/lapses (net)	*	....	....	....	....	....	....
Total, change in fund balance	14.2	8.9	8.3	9.4	21.8	22.3	19.5
Balance, end of year	–12.6	–3.6	4.7	14.1	35.9	58.2	77.6
Veterans Life Insurance Funds							
Balance, start of year	9.5	8.9	8.1	7.4	6.6	5.8	5.0
Adjustments	....	....	....	....	....	....	....
Total balance, start of year	9.5	8.9	8.1	7.4	6.6	5.8	5.0
Income:							
Governmental receipts	....	....	....	....	....	....	....
Offsetting governmental receipts	....	....	....	....	....	....	....
Proprietary receipts	0.3	0.3	0.2	0.2	0.2	0.2	0.1
Receipts from Federal funds:							
Interest	0.5	0.4	0.4	0.3	0.3	0.2	0.2
Other	....	....	....	....	....	....	....
Receipts from Trust funds	....	....	....	....	....	....	....
Subtotal, income	0.8	0.7	0.6	0.5	0.4	0.4	0.3
Outgo:							
To the public	–1.5	–1.4	–1.4	–1.3	–1.2	–1.1	–1.1
Payments to other funds	....	....	....	....	....	....	....
Subtotal, outgo	–1.5	–1.4	–1.4	–1.3	–1.2	–1.1	–1.1
Change in fund balance:							
Surplus or deficit(–):							
Excluding interest	–1.1	–1.2	–1.1	–1.1	–1.0	–1.0	–0.9
Interest	0.5	0.4	0.4	0.3	0.3	0.2	0.2
Subtotal, surplus or deficit(–)	–0.7	–0.8	–0.8	–0.8	–0.8	–0.8	–0.7
Borrowing/Transfers/lapses (net)	....	....	....	....	....	....	....
Total, change in fund balance	–0.7	–0.8	–0.8	–0.8	–0.8	–0.8	–0.7
Balance, end of year	8.9	8.1	7.4	6.6	5.8	5.0	4.3

Table 27–4. INCOME, OUTGO, AND BALANCE OF MAJOR TRUST FUNDS—Continued

(In billions of dollars)

	2012 Actual	Estimate					
		2013	2014	2015	2016	2017	2018
Other Trust Funds							
Balance, start of year	82.4	83.2	88.1	99.5	122.5	153.7	195.8
Adjustments	*	....	....	....	....	....	....
Total balance, start of year	82.4	83.2	88.1	99.5	122.5	153.7	195.8
Income:							
Governmental receipts	5.2	6.6	8.1	8.6	8.6	8.9	9.0
Offsetting governmental receipts	*	*	*	3.0	9.4	8.6	2.2
Proprietary receipts	6.1	6.5	6.4	6.5	6.6	6.7	6.7
Receipts from Federal funds:							
Interest	2.0	2.8	2.4	2.5	2.7	3.1	3.8
Other	3.9	3.7	3.4	3.3	3.4	3.4	3.5
Receipts from Trust funds	*	0.1	0.1	0.1	0.1	0.1	0.1
Subtotal, income	17.3	19.7	20.4	24.0	30.8	30.8	25.3
Outgo:							
To the public	–16.6	–14.7	–8.9	–0.9	0.5	11.4	17.5
Payments to other funds	–*	–0.1	–0.1	–0.1	–0.1	–0.2	–0.2
Subtotal, outgo	–16.6	–14.7	–9.0	–1.0	0.4	11.2	17.3
Change in fund balance:							
Surplus or deficit(–):							
Excluding interest	–1.4	2.2	8.9	20.5	28.5	39.0	38.8
Interest	2.0	2.8	2.4	2.5	2.7	3.1	3.8
Subtotal, surplus or deficit(–)	0.7	4.9	11.4	23.0	31.2	42.1	42.6
Borrowing/Transfers/lapses (net)	–*	–*	*	....	....	....	....
Total, change in fund balance	0.7	4.9	11.4	23.0	31.2	42.1	42.6
Balance, end of year	83.2	88.1	99.5	122.5	153.7	195.8	238.4

Note: The effects for 2014 through 2018 of the Budget's Medicare savings proposals are included in "Other Trust Funds" in Table 27-4, because the detailed estimates of the effects of those proposals on the Medicare Hospital Insurance and Supplementary Medical Insurance trust funds and associated receipt accounts were not available in time for publication.

Table 27–5. INCOME, OUTGO, AND BALANCE OF MAJOR FEDERAL FUNDS

(In billions of dollars)

	2012 Actual	Estimate					
		2013	2014	2015	2016	2017	2018
Abandoned Mine Reclamation Fund							
Balance, start of year	2.7	2.8	2.8	2.8	2.9	2.9	2.9
Adjustments	....	....	....	....	....	....	....
Total balance, start of year	2.7	2.8	2.8	2.8	2.9	2.9	2.9
Income:							
Governmental receipts	0.2	0.2	0.3	0.3	0.3	0.3	0.3
Proprietary receipts	....	....	....	....	....	....	....
Receipts from Federal funds:							
Interest	0.1	0.1	*	*	*	*	0.1
Other	....	....	....	....	....	....	....
Receipts from Trust funds	....	....	....	....	....	....	....
Subtotal, income	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Outgo (–):							
To the public	–0.3	–0.2	–0.2	–0.2	–0.3	–0.3	–0.4
Payments to other funds	....	....	....	....	....	....	....
Subtotal, outgo	–0.3	–0.2	–0.2	–0.2	–0.3	–0.3	–0.4
Change in fund balance:							
Surplus or deficit(–):							
Excluding interest	–*	–*	*	*	–*	–*	–0.1
Interest	0.1	0.1	*	*	*	*	0.1
Subtotal, surplus or deficit(–)	*	*	*	*	*	*	–*
Borrowing/Transfers/lapses (net)	....	....	....	....	....	....	....
Total, change in fund balance	*	*	*	*	*	*	–*
Balance, end of year	2.8	2.8	2.8	2.9	2.9	2.9	2.9
Credit Union Share Insurance Fund							
Balance, start of year	10.7	10.3	10.6	10.8	11.1	11.5	12.2
Adjustments	....	....	....	....	....	....	....
Total balance, start of year	10.7	10.3	10.6	10.8	11.1	11.5	12.2
Income:							
Governmental receipts	....	....	....	....	....	....	....
Proprietary receipts	0.3	0.6	0.5	0.5	0.5	0.7	0.8
Receipts from Federal funds:							
Interest	0.2	0.2	0.2	0.3	0.4	0.4	0.5
Other	*	....	....	....	....	....	....
Receipts from Trust funds	....	....	....	....	....	....	....
Subtotal, income	0.5	0.8	0.7	0.7	0.9	1.2	1.3
Outgo (–):							
To the public	–0.7	–0.5	–0.4	–0.4	–0.4	–0.5	–0.5
Payments to other funds	....	....	....	....	....	....	....
Subtotal, outgo	–0.7	–0.5	–0.4	–0.4	–0.4	–0.5	–0.5
Change in fund balance:							
Surplus or deficit(–):							
Excluding interest	–0.4	0.1	*	*	0.1	0.3	0.3
Interest	0.2	0.2	0.2	0.3	0.4	0.4	0.5
Subtotal, surplus or deficit(–)	–0.2	0.3	0.2	0.3	0.4	0.7	0.8
Borrowing/Transfers/lapses (net)	–0.3	....	....	....	....	....	....
Total, change in fund balance	–0.5	0.3	0.2	0.3	0.4	0.7	0.8
Balance, end of year	10.3	10.6	10.8	11.1	11.5	12.2	13.0

Table 27–5. INCOME, OUTGO, AND BALANCE OF MAJOR FEDERAL FUNDS

(In billions of dollars)

	2012 Actual	Estimate					
		2013	2014	2015	2016	2017	2018
Department of Defense Medicare-Eligible Retiree Health Care Fund							
Balance, start of year	186.1	175.9	184.9	190.0	194.9	200.2	205.9
Adjustments	....	....	....	....	....	....	....
Total balance, start of year	186.1	175.9	184.9	190.0	194.9	200.2	205.9
Income:							
Governmental receipts	....	....	....	....	....	....	....
Proprietary receipts	....	....	....	....	....	....	....
Receipts from Federal funds:							
Interest	–19.4	4.2	4.1	4.2	4.5	4.9	6.3
Other	....	....	....	....	....	....	....
Receipts from Trust funds	17.9	14.7	10.5	10.7	11.3	11.8	12.4
Subtotal, income	–1.6	18.8	14.6	14.9	15.8	16.7	18.7
Outgo (–):							
To the public	–8.7	–9.9	–9.5	–10.0	–10.5	–11.0	–11.5
Payments to other funds	....	....	....	....	....	....	....
Subtotal, outgo	–8.7	–9.9	–9.5	–10.0	–10.5	–11.0	–11.5
Change in fund balance:							
Surplus or deficit(–):	....	....	....	....	....	....	....
Excluding interest	9.2	4.8	1.0	0.7	0.8	0.8	0.9
Interest	–19.4	4.2	4.1	4.2	4.5	4.9	6.3
Subtotal, surplus or deficit(–)	–10.2	9.0	5.1	5.0	5.3	5.7	7.2
Borrowing/Transfers/lapses (net)	....	....	....	....	....	....	....
Total, change in fund balance	–10.2	9.0	5.1	5.0	5.3	5.7	7.2
Balance, end of year	175.9	184.9	190.0	194.9	200.2	205.9	213.1
Overseas Private Investment Corporation Noncredit Account							
Balance, start of year	5.1	5.2	5.3	5.4	5.5	5.7	5.8
Adjustments	....	....	....	....	....	....	....
Total balance, start of year	5.1	5.2	5.3	5.4	5.5	5.7	5.8
Income:							
Governmental receipts	....	....	....	....	....	....	....
Proprietary receipts	0.1	*	*	*	*	*	*
Receipts from Federal funds:							
Interest	0.2	0.2	0.1	0.1	0.1	0.1	0.1
Other	*	*	*	*	*	*	*
Receipts from Trust funds	....	....	....	....	....	....	....
Subtotal, income	0.3	0.2	0.2	0.2	0.2	0.2	0.2
Outgo (–):							
To the public	–0.1	–0.1	–0.1	–0.1	–0.1	–0.1	–0.1
Payments to other funds	....	....	....	....	....	....	....
Subtotal, outgo	–0.1	–0.1	–0.1	–0.1	–0.1	–0.1	–0.1
Change in fund balance:							
Surplus or deficit(–):							
Excluding interest	*	*	*	–*	–*	–*	–*
Interest	0.2	0.2	0.1	0.1	0.1	0.1	0.1
Subtotal, surplus or deficit(–)	0.2	0.2	0.1	0.1	0.1	0.1	0.1
Borrowing/Transfers/lapses (net)	–0.1	–0.1	–0.1	....	....	....	....
Total, change in fund balance	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Balance, end of year	5.2	5.3	5.4	5.5	5.7	5.8	5.9

Table 27–5. INCOME, OUTGO, AND BALANCE OF MAJOR FEDERAL FUNDS
(In billions of dollars)

	2012 Actual	Estimate					
		2013	2014	2015	2016	2017	2018
Pension Benefit Guaranty Corporation Fund							
Balance, start of year	15.6	15.8	16.8	18.4	23.5	28.2	31.9
Adjustments	....	....	....	....	....	....	....
Total balance, start of year	15.6	15.8	16.8	18.4	23.5	28.2	31.9
Income:							
Governmental receipts	....	....	....	....	....	....	....
Proprietary receipts	5.5	6.8	7.9	12.2	12.7	12.8	13.0
Receipts from Federal funds:							
Interest	0.7	0.7	0.7	0.8	1.0	1.1	1.2
Other	....	....	....	....	....	....	....
Receipts from Trust funds	....	....	....	....	....	....	....
Subtotal, income	6.2	7.4	8.6	13.0	13.7	13.9	14.2
Outgo (–):							
To the public	–5.9	–6.5	–7.0	–7.9	–9.0	–10.2	–11.3
Payments to other funds	....	....	....	....	....	....	....
Subtotal, outgo	–5.9	–6.5	–7.0	–7.9	–9.0	–10.2	–11.3
Change in fund balance:							
Surplus or deficit(–):							
Excluding interest	–0.4	0.3	0.9	4.2	3.7	2.6	1.7
Interest	0.7	0.7	0.7	0.8	1.0	1.1	1.2
Subtotal, surplus or deficit(–)	0.4	1.0	1.6	5.1	4.7	3.7	2.9
Borrowing/Transfers/lapses (net)	–0.1	....	....	....	....	....	....
Total, change in fund balance	0.3	1.0	1.6	5.1	4.7	3.7	2.9
Balance, end of year	15.8	16.8	18.4	23.5	28.2	31.9	34.8

28. NATIONAL INCOME AND PRODUCT ACCOUNTS

The National Income and Product Accounts (NIPAs) are an integrated set of statistics prepared by the Department of Commerce that measure aggregate U.S. economic activity. Because the NIPAs include Federal transactions and are widely used in economic analysis, it is important to understand the differences between the NIPAs' distinctive presentation of Federal transactions and that of the budget.

The main purpose of the NIPAs is to measure the Nation's total production of goods and services, known as gross domestic product (GDP), and the incomes generated in its production. GDP excludes intermediate production to avoid double counting. Government consumption expenditures along with government gross investment — State and local as well as Federal — are included in GDP as part of final output, together with personal consumption expenditures, gross private domestic investment, and net exports of goods and services (exports minus imports).

Not all government expenditures are counted in GDP. Benefit payments to individuals, grants to State and local governments, subsidies, and interest payments are not purchases of final output and are therefore not included in GDP. However, these transactions are recorded in the NIPA government account that records current receipts and expenditures because all of these affect the government's claim on economic resources.

Federal transactions are included in the NIPAs as part of the government sector.[1] The Federal subsector is designed to measure certain important economic effects of Federal transactions in a way that is consistent with the conceptual framework of the entire set of integrated accounts. The NIPA Federal subsector is not a budget, because it is not a financial plan for proposing, determining, and controlling the fiscal activities of the Government. For example, it omits from its current receipts and current expenditures certain "capital transfers" (such as estate tax receipts and grants to States for capital investment) that are recorded in the budget. These capital transfers are therefore not counted in net Federal Government saving, but are displayed separately to show their effect on net Federal lending or borrowing. NIPA concepts also differ in many other ways from budget concepts, and therefore the NIPA presentation of Federal finances is significantly different from that of the budget.

Differences between the NIPAs and the Budget

Federal transactions in the NIPAs are measured according to NIPA accounting concepts and as a result they differ from the budget in netting and grossing, timing, and coverage. These differences cause current receipts and expenditures in the NIPAs to differ from total receipts and outlays in the budget, albeit by relatively small amounts.[2] Differences in timing and coverage also cause the NIPA measure of net Federal Government saving to differ from the budget surplus or deficit. Unlike timing and coverage differences, netting and grossing differences have equal effects on receipts and expenditures and thus have no effect on net Government saving. The NIPAs also combine transactions into different categories from those used in the budget.

Netting and grossing differences arise because the budget records certain transactions as offsets to outlays that are recorded as current receipts in the NIPAs (or vice versa). The budget treats all income that comes to the Government due to its sovereign powers—mainly, but not exclusively, taxes—as governmental receipts. The budget offsets against outlays any income that arises from voluntary business-type transactions with the public. The NIPAs generally follow this concept as well, and income to Government revolving accounts (such as the Government Printing Office) is offset against their expenditures. However, the NIPAs have a narrower definition of "business-type transactions" than does the budget. Rents and royalties, and some regulatory or inspection fees, which are classified as offsets to outlays in the budget, are recorded in the NIPAs as Government receipts. The NIPAs include Medicare premiums as Government receipts, while the budget classifies them as business-type transactions (offsetting receipts). In addition, the NIPAs treat the net surplus of Government enterprises, such as the Postal Service, as a component of current receipts.

In the budget, any intragovernmental income paid from one account to another is offset against outlays rather than being recorded as a receipt so that total outlays and receipts measure only transactions with the public. For example, Government contributions for Federal employee social insurance (such as Social Security) are offset against outlays. In contrast, the NIPAs treat the Federal Government like any other employer and show contributions for Federal employee social insurance as expenditures by the employing agencies and as current receipts, rather than offsets against outlays. The NIPAs also display certain transactions that are not recorded explicitly in the budget. For example, unemployment benefits for Federal employees are financed by direct appropriations rather than social insurance contributions. The NIPAs impute the social insurance contributions to the expenditures of employing agencies—again, treating the Federal Government like any other employer.

[1] The NIPA government sector consists of the Federal subsector and a State and local subsector that is a single set of transactions for all U.S. State and local units of government, treated as a consolidated entity.

[2] Over the period 1994–2012, NIPA current expenditures averaged 3.8 percent higher than budget outlays, while NIPA current receipts averaged 3.9 percent higher than budget receipts. Including capital transfers and net investment, NIPA total expenditures averaged 6.7 percent higher than budget outlays, while NIPA total receipts averaged 5.0 percent higher than budget receipts.

Timing differences for receipts occur because the NIPAs generally record business taxes when they accrue, while the budget generally records receipts when cash is received. Thus the NIPAs attribute corporations' final settlement payments back to the quarter(s) in which the profits that gave rise to the tax liability occurred. The delay between accrual of liability and Treasury receipt of payment can result in significant timing differences between NIPA and budget measures of receipts for any given accounting period.

Timing differences also occur for current expenditures, such as when the first day of a month falls on a weekend or holiday and therefore monthly benefit checks normally deposited on the first day of the month may be deposited a day or two earlier. The budget then reflects two payments in one month and none the next. As a result, the budget totals occasionally reflect 13 monthly payments in one year and only 11 the next. NIPA expenditure figures always reflect 12 benefit payments per year, giving rise to a timing difference compared to the budget. Similar timing differences also occur in gross investment, particularly in national defense investment, where work in progress over long-term production timelines are recognized as business inventories in the NIPAs until the item is completed and delivered to the Government. The budget reflects all payments as current outlays in the period in which the work is undertaken.

Coverage differences arise on the expenditure side because of the NIPA treatment of Government investment. The budget includes outlays for Federal investments as they are paid, while NIPA current expenditures exclude current investments but include a depreciation charge on past investments ("consumption of general government fixed capital").' The inclusion of depreciation on fixed capital (structures, equipment and software) in current expenditures can be thought of as a proxy for the services that capital renders; i.e., for its contribution to Government output of public services. The depreciation charge is not a full reflection of capital services, however, since it does not include the net return to capital that in a private corporation would appear as interest income or profit. The NIPAs would need to include an imputed interest charge for government capital to assure a fully parallel treatment.

Certain items in the budget are excluded from the NIPA Federal current account because they are related to the acquisition, sale, or transfer of assets, and not linked to current consumption or income. Examples include Federal grants to State and local governments for capital investment, investment subsidies to business, lump sum payments to amortize the unfunded liability of the Department of Defense Medicare-Eligible Retiree Health Care Fund and the Postal Service Retiree Health Benefits Fund, and forgiveness of debt owed by foreign governments. Likewise, estate and gift taxes, included in budget receipts, are excluded from NIPA current receipts as being capital transfers. The NIPAs also exclude the proceeds from the sales of non-produced assets such as land. Bonuses paid on Outer Continental Shelf oil leases and proceeds from broadcast spectrum auctions are shown as offsetting receipts in the budget and are deducted from budget outlays. In the NIPAs these transactions are excluded from the Federal current account as an exchange of assets with no current production involved. The NIPAs are not strictly consistent in this interpretation since they do include in total revenues the taxation of capital gains.

Financial transactions such as loan disbursements, loan repayments, loan asset sales, and loan guarantees are excluded from the NIPA current accounts on the grounds that such transactions simply involve an exchange of assets rather than current production, income, or consumption. In contrast, under the Federal Credit Reform Act of 1990, the budget records the estimated subsidy cost of the direct loan or loan guarantee as an outlay at the time when the loan is disbursed. The cash flows with the public are recorded in non-budgetary accounts as a means of financing the budget rather than as budgetary transactions. This treatment recognizes that a Federal direct loan is an exchange of assets with equal value after allowing for the subsidy to the borrower implied by the terms of the loan. It also recognizes the subsidy element in loan guarantees. In the NIPA current accounts, these subsidies are not recognized. Exclusion from the NIPA current accounts of asset purchases, direct loans, and loan guarantees under the Troubled Asset Relief Program (TARP) and other financial stabilization measures gave rise to the largest differences between budget and NIPA expenditures totals in 2009 through 2011.[3]

The treatment of Government pension plan income and outgo creates a coverage difference. Whereas the budget treats employee contributions to these pension plans as governmental receipts, and employer contributions by agencies as offsets to outlays because they are intragovernmental, the NIPAs treat employee contributions as a transfer of income within the household sector, in the same way as it treats contributions to pension plans in the private (household) sector, and treats employer contributions as personal income. Likewise, the budget records a Government pension payment to a retired Government employee as an outlay, but under NIPA concepts, no Government expenditure occurs at that time; the payment is treated (like private pension payments) as a transfer of income within the household sector.

[3] The range of the Government's financial stabilization efforts is discussed further in Chapter 3 of this volume, "Financial Stabilization Efforts and their Budgetary Effects." Many of the Treasury's financial stabilization programs, including TARP equity purchases, are recorded in the budget on a credit basis, in which the budget recognizes the estimated subsidy value of direct loans, loan guarantees, and equity purchases at the time the loan or purchase is made. This credit treatment extends to equity purchases under TARP, as well as loans. The NIPAs normally exclude the principal disbursements and repayments of credit transactions as exchanges of assets with no current production involved; the interest and dividend receipts, however, are included in NIPA current receipts as receipts on assets. For certain transactions, the NIPAs recognize the subsidy conveyed by these transactions by recording capital transfers, calculated as the difference between the actual price paid for the financial asset and an estimate of its market value. Purchase of Government Sponsored Enterprise (GSE) preferred stock is recorded in the budget on a cash basis, but is excluded from the NIPA current accounts; GSE preferred stock purchases, however, are shown as capital transfers.

Table 28–1. FEDERAL TRANSACTIONS IN THE NATIONAL INCOME AND PRODUCT ACCOUNTS, 2003–2014

(In billions of dollars)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	Estimate 2013	Estimate 2014
CURRENT RECEIPTS												
Current tax receipts	1056.5	1115.7	1346.2	1538.5	1632.0	1511.7	1178.9	1259.7	1472.3	1625.7	1720.2	1928.8
Personal current taxes	781.5	782.3	913.2	1033.7	1140.6	1122.9	900.1	863.7	1040.0	1131.9	1203.8	1340.6
Taxes on production and imports	88.7	93.4	98.0	99.1	94.4	95.2	90.4	94.7	105.0	118.6	122.3	149.6
Taxes on corporate income	177.8	230.8	323.0	393.8	380.8	277.1	170.7	287.2	311.3	358.4	375.7	420.7
Taxes from the rest of the world	8.4	9.3	12.0	11.8	16.1	16.4	17.7	14.2	16.0	16.7	18.4	17.9
Contributions for government social insurance	753.4	795.4	847.9	892.7	936.6	969.4	952.5	960.9	935.0	931.1	1057.0	1136.2
Income receipts on assets	21.6	23.1	24.1	25.2	28.4	32.2	41.9	52.2	55.4	50.5	46.6	65.2
Current transfer receipts	24.9	27.8	32.4	38.1	42.2	49.1	69.9	70.3	68.9	54.0	59.5	92.8
Current surplus of government enterprises	4.0	1.7	–3.7	–3.3	–2.3	–3.5	–4.1	–5.6	–10.9	–12.0	–37.0	–17.7
Total current receipts	**1860.4**	**1963.7**	**2246.9**	**2491.2**	**2636.9**	**2558.9**	**2239.1**	**2337.5**	**2520.7**	**2649.3**	**2846.3**	**3205.3**
CURRENT EXPENDITURES												
Consumption expenditures	646.3	704.7	756.5	797.6	831.2	906.7	969.8	1040.6	1061.8	1073.0	1077.5	1075.7
Defense	422.9	469.7	507.3	531.3	562.8	616.3	653.6	694.5	710.6	708.7	689.3	673.1
Nondefense	223.4	235.0	249.3	266.3	268.4	290.4	316.3	346.1	351.2	364.3	388.2	402.6
Current transfer payments	1317.0	1392.2	1473.4	1566.0	1661.2	1808.0	2074.0	2286.8	2325.2	2263.0	2389.7	2548.1
Government social benefits	960.5	1014.9	1076.9	1166.6	1249.5	1372.3	1561.6	1714.0	1748.1	1750.8	1849.1	1939.9
Grants-in-aid to State and local governments	328.4	347.8	359.6	360.9	373.9	389.8	458.7	520.1	518.7	461.6	483.1	555.8
Other transfers to the rest of the world	28.1	29.5	37.0	38.5	37.8	45.9	53.7	52.6	58.3	50.6	57.5	52.4
Interest payments	215.7	215.8	242.8	284.4	302.9	314.2	239.2	276.4	322.5	308.5	307.4	311.6
Subsidies	48.1	44.6	57.6	54.6	47.6	48.9	56.9	55.1	60.0	60.6	71.7	71.8
Wage disbursements less accruals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total current expenditures	**2227.1**	**2357.3**	**2530.3**	**2702.6**	**2842.9**	**3077.8**	**3339.9**	**3658.9**	**3769.5**	**3705.1**	**3846.3**	**4007.2**
Net Federal Government saving	**–366.7**	**–393.6**	**–283.4**	**–211.4**	**–206.0**	**–518.9**	**–1100.8**	**–1321.4**	**–1248.8**	**–1055.8**	**–1000.0**	**–801.9**
ADDENDUM: TOTAL RECEIPTS AND EXPENDITURES												
Current receipts	1860.3	1963.7	2246.9	2491.2	2636.9	2558.9	2239.1	2337.5	2520.7	2649.3	2846.3	3205.3
Capital transfer receipts	21.7	24.7	24.6	27.7	25.8	28.6	23.3	18.3	7.3	13.8	12.8	12.9
Total receipts	**1882.0**	**1988.4**	**2271.5**	**2518.9**	**2662.7**	**2587.5**	**2262.4**	**2355.8**	**2528.0**	**2663.1**	**2859.1**	**3218.2**
Current expenditures	2227.1	2357.3	2530.3	2702.6	2842.9	3077.8	3339.9	3658.9	3769.5	3705.1	3846.3	4007.2
Net investment:												
Gross government investment:												
Defense	61.4	67.1	73.8	78.6	86.1	98.7	111.1	114.4	110.8	106.2	102.0	87.3
Nondefense	33.7	33.5	34.8	40.0	40.1	41.9	45.4	50.3	52.3	48.3	44.6	41.2
Less: Consumption of fixed capital:												
Defense	61.4	63.7	67.8	72.0	76.3	81.6	85.8	89.7	94.8	97.8	100.3	99.6
Nondefense	29.0	29.7	31.3	33.0	34.8	36.4	38.0	39.0	40.7	42.5	45.6	46.8
Capital transfer payments	51.3	62.2	83.7	69.5	69.4	90.7	268.3	176.7	131.1	126.9	115.1	111.5
Net purchases of nonproduced assets	*	0.1	–0.7	–0.3	–13.9	–10.0	–16.6	0.1	–0.1	0.1	0.1	0.1
Total expenditures	**2283.0**	**2427.0**	**2622.7**	**2785.5**	**2913.5**	**3181.1**	**3624.3**	**3871.7**	**3928.1**	**3846.3**	**3962.2**	**4100.9**
Net lending or net borrowing (–)	**–400.9**	**–438.7**	**–351.3**	**–266.6**	**–250.8**	**–593.6**	**–1361.9**	**–1515.9**	**–1400.1**	**–1183.2**	**–1103.1**	**–882.7**

The NIPAs, like the budget, include all interest transactions with the public, including interest received by and paid to the loan financing accounts[4]; and both the NIPAs and the budget include administrative costs of credit program operations.

[4] The budget excludes interest transactions between the public and the nonbudgetary financing accounts, but includes interest transactions between Treasury and the financing accounts.

Similarly to loan transactions, deposit insurance outlays for resolving failed banks and thrift institutions are excluded from the NIPAs on the grounds that there are no offsetting current income flows from these transactions. The budget treats these deposit insurance transactions on a cash basis. This exclusion from the NIPAs created a particularly large difference in 2009, because of large outlays to liquidate failed bank deposits. In a similar episode in 1991, this exclusion was the largest difference between the NIPAs and the budget and made NIPA net Government saving a significantly smaller negative number than the budget deficit that year. In subsequent years, as assets acquired from failed financial institutions were sold, these collections tended to make the budget deficit a smaller negative figure than NIPA net Federal Government saving.

Federal Sector Current Receipts

Table 28–1 shows the NIPA classification of Federal current receipts in five major categories and four of the subcategories used to measure taxes, which are similar to the budget categories but with some significant differences.

Current tax receipts is the largest category of current receipts, and its personal current taxes subcategory — composed primarily of the individual income tax — is the largest single subcategory. The NIPAs' taxes on corporate income subcategory differs in classification from the corresponding budget category primarily because the NIPAs include the deposit of earnings of the Federal Reserve System as corporate income taxes, while the budget treats these collections as miscellaneous receipts. (The timing difference between the NIPAs and the budget is especially large for corporate receipts.) The taxes on production and imports subcategory is composed of excise taxes and customs duties.

Contributions for Government social insurance is the second largest category of current receipts. It differs from the corresponding budget category primarily because: (1) the NIPAs include Federal employer contributions for social insurance as a government receipt, while the budget offsets these contributions against outlays as undistributed offsetting receipts; (2) the NIPAs include premiums for Parts B and D of Medicare as government receipts, while the budget nets them against outlays; (3) the NIPAs treat Government employee contributions to their pension plans as a transfer of personal income within the household sector (as if the pension system were private), while the budget includes them in governmental receipts; and (4) the NIPAs impute employer contributions for Federal employees' unemployment insurance and workers' compensation.

The income receipts on assets category consists mainly of interest payments received on Government direct loans (such as student loans), rents and royalties on Outer Continental Shelf oil leases, and, beginning in 2009, dividends received on preferred stock purchased from the Government-sponsored enterprises (GSEs) Fannie Mae and Freddie Mac. The current transfer receipts category, virtually all of which is netted against outlays in the budget, consists primarily of deposit insurance premiums, regulatory and other fees, fines and other receipts from both individuals and businesses, and net insurance settlements from the National Flood Insurance Program, which can be negative or positive receipts depending on whether flood insurance claims paid exceed premiums collected for the current period. The current surplus (or deficit) of Government enterprises category is the profit or loss of "Government enterprises," such as the Postal Service, which are business-type operations of Government that usually appear in the budget as public enterprise revolving funds. Depreciation (consumption

Table 28–2. RELATIONSHIP OF THE BUDGET TO THE FEDERAL SECTOR, NIPAS
(In billions of dollars)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
RECEIPTS												
Budget receipts	1782.3	1880.1	2153.6	2406.9	2568.0	2524.0	2105.0	2162.7	2303.5	2450.2	2712.0	3033.6
Contributions to government employee retirement plans	–4.6	–4.6	–4.5	–4.4	–4.3	–4.2	–4.1	–4.1	–4.1	–3.7	–3.7	–4.5
Capital transfers received	–21.7	–24.7	–24.6	–27.7	–25.8	–28.6	–23.3	–18.3	–7.3	–13.8	–12.7	–12.8
Other coverage differences	–5.4	–6.4	–6.9	–7.0	–7.5	–7.7	–7.8	–8.3	–8.0	–9.6	–9.6	–9.3
Netting and grossing	87.2	91.5	97.6	110.9	121.8	137.1	168.1	219.8	172.7	151.7	148.5	211.9
Timing differences	22.6	27.7	31.6	12.6	–15.4	–61.7	1.2	–14.3	63.9	74.6	11.8	–13.7
NIPA current receipts	**1860.3**	**1963.7**	**2246.9**	**2491.2**	**2636.9**	**2558.9**	**2239.0**	**2337.6**	**2520.7**	**2649.3**	**2846.2**	**3205.2**
EXPENDITURES												
Budget outlays	2159.9	2292.8	2472.0	2655.0	2728.7	2982.5	3517.7	3456.2	3603.1	3537.1	3684.9	3777.8
Government employee retirement plan transactions	33.0	33.2	38.9	41.6	39.9	52.0	30.6	51.0	62.0	–14.2	37.1	32.4
Deposit insurance and other financial transactions	–1.8	–0.9	–0.5	–9.8	–12.7	–57.9	–511.0	–35.7	28.4	–58.8	–79.2	–97.9
Capital transfer payments	–45.7	–46.8	–65.1	–51.8	–53.1	–59.2	–236.3	–142.2	–99.0	–97.7	–88.0	–88.4
Net purchases of nonproduced assets	–*	–0.1	0.7	0.3	13.9	10.0	16.6	–0.1	0.1	–0.1	–0.1	–0.1
Net investment	–4.7	–7.3	–9.5	–13.6	–15.1	–22.7	–32.7	–35.9	–27.6	–14.2	–0.7	17.8
Other coverage differences	–1.9	–8.2	–12.4	–23.3	9.7	20.9	396.9	149.6	53.1	88.7	130.4	139.2
Netting and grossing differences	87.2	91.5	97.6	110.9	121.8	137.1	168.1	219.8	172.7	151.7	148.5	211.9
Timing differences	1.1	3.1	8.6	–6.5	9.6	15.0	–9.8	–3.9	–23.3	112.3	13.4	14.5
NIPA current expenditures	**2227.0**	**2357.4**	**2530.2**	**2702.7**	**2842.8**	**3077.8**	**3340.0**	**3658.9**	**3769.4**	**3705.0**	**3846.3**	**4007.2**
ADDENDUM												
Budget surplus or deficit (–)	–377.6	–412.7	–318.4	–248.1	–160.7	–458.5	–1412.7	–1293.5	–1299.6	–1086.9	–972.9	–744.2
NIPA net Federal Government saving	–366.7	–393.7	–283.3	–211.5	–205.9	–518.9	–1101.0	–1321.3	–1248.7	–1055.7	–1000.1	–802.0

* $50 million or less.

of enterprise fixed capital) is netted in calculating the current surplus of Government enterprises.

Federal Sector Current Expenditures

Table 28–1 shows the five major NIPA categories for current expenditures and five subcategories, which differ greatly from the corresponding budget categories.

Government consumption expenditures consist of goods and services purchased by the Federal Government, including compensation of employees and depreciation on fixed capital. Gross investment (shown among the addendum items in Table 28–1) is excluded from current expenditures and does not figure in computing net Government saving on a NIPA basis, whereas depreciation—charges on federally-owned fixed capital ("consumption of general government fixed capital")—is included. The NIPAs treat State and local investment and capital consumption in the same way—regardless of the extent to which it is financed with Federal aid (capital transfer payments) or from State and local own-source receipts.

Although gross investment is not included in Government current expenditures, Government gross investment is included in total GDP along with current consumption expenditures (including depreciation), which makes the treatment of the government sector in the NIPAs similar to that of the private sector. Investment includes structures, equipment, and computer software.

The largest expenditure category, current transfer payments, consists mainly of payments for Government income security and health benefits, such as Social Security and Medicare. Payment of pension benefits to former Government employees is not included, as explained previously. Grants-in-aid to State and local governments help finance a range of programs, including income security, Medicaid, and education (but capital transfer payments for construction of highways, airports, waste-water treatment plants, and mass transit are excluded). "Current transfer payments to the rest of the world (net)" consists mainly of grants to foreign governments and U.S. territories.

Interest payments consist of the interest paid by the Government on its debt to the public and debt held by Federal employee pension plans. Where the budget nets interest received on loans against outlays, the NIPAs treat it as current receipts.

Subsidies consist of subsidy payments for resident businesses (excluding subsidies for investment). NIPA subsidies do not include the imputed credit subsidies estimated as budget outlays under credit reform. Rather, as explained previously loans and guarantees are excluded from the NIPAs except for associated interest and fees.

Wage disbursements less accruals is an adjustment that is necessary to the extent that the wages paid in a period differ from the amount earned in the period.

The addendum to Table 28–1 shows the capital transfers and net investment adjustments necessary to bridge between NIPA current receipts and expenditures and total receipts and expenditures.

Differences in the Estimates

Since the introduction of the unified budget in January 1968, NIPA current receipts have been greater than budget receipts in most years. This is due principally to grossing differences and the fact that estate and gift taxes, which the NIPAs exclude as capital transfers, have been roughly matched by Medicare premiums, which the NIPAs include as a government receipt, but the budget nets against the outlay total. Since 1986, NIPA current expenditures have usually been higher than budget outlays (from which the Medicare premiums and employer retirement contributions are netted out), despite the omission from NIPA expenditures of capital transfer grants and pension benefit payments to former Government employees.

Two components of budget outlays, however, are sometimes sufficiently large in combination to exceed the usual netting and grossing adjustments. These are financial transactions and net investment (the difference between gross investment and depreciation). Large outlays associated with resolving the failed savings and loan associations and banks in 1990 and 1991 caused those year's budget outlays to exceed NIPA current expenditures. With the change in budgetary treatment of direct loans in 1992 under credit reform, the cost of direct loans to the public recorded in the budget has been reduced, bringing it closer to the NIPA treatment. Disbursement and repayment of loans made since that time are recorded outside the budget; only credit subsidies are recorded as budget outlays, unlike the NIPAs which do not include this element of government expenditure.

Every year during the period 1975–1991, the budget deficit showed a larger fiscal imbalance than the amount of (negative) net Federal Government saving as measured in the NIPAs. The largest difference, $74.1 billion, occurred in 1991 as a result of resolving failed financial institutions as discussed above; the budget deficit was then $269.2 billion, while the NIPA net Government saving was $195.1 billion. Beginning in 1992, deposit insurance and other financial transactions caused the relationship to reverse, and in 1992–2002, the budget deficit or surplus showed a more positive fiscal picture than the NIPA measure, with NIPA (negative) net Federal Government saving exceeding in magnitude the budget deficit when the budget was in deficit and (positive) net Federal Government saving falling short of the budget surplus during the years the budget was in surplus. Over the last decade, the difference between the budget deficit and the NIPA net Federal Government saving has not shown a distinct positive or negative pattern, except in 2009 when the budget deficit exceeded the NIPA measure by an historically high difference of $311.9 billion, due primarily to differing treatment of TARP and other financial stabilization measures. Over the eight years from 2007 to the projected year 2014, the NIPA measure exceeds the unified budget deficit in five of them, with no positive or negative difference, aside from 2009, exceeding the previous historical high difference from 1991.

Table 28–1 displays Federal transactions using NIPA concepts with actual data for 2003–2012 and estimates for 2013 and 2014 consistent with the Administration's Budget proposals. Table 28–2 summarizes the reasons for differences between the NIPA and budget measures. Annual NIPA data for 1948–2014 are published in Section 14 of a separate budget volume, *Historical Tables, Budget of the U.S. Government, Fiscal Year 2014.*

Detailed estimates of NIPA current receipts and expenditures consistent with the Budget and including quarterly estimates will be published in a forthcoming issue of the Department of Commerce publication, *Survey of Current Business* and on the Bureau of Economic Analysis website at *www.bea.gov.*

29. COMPARISON OF ACTUAL TO ESTIMATED TOTALS

In successive budgets, the Administration publishes estimates of the surplus or deficit for a particular fiscal year. Initially, the year appears as an outyear projection at the end of the budget horizon. In each subsequent budget, the year advances in the estimating horizon until it becomes the "budget year." One year later, the year becomes the "current year" then in progress, and the following year, it becomes the just-completed "actual year."

The budget is legally required to compare budget year estimates of receipts and outlays with the subsequent actual receipts and outlays for that year. Part I of this chapter meets that requirement by comparing the actual results for 2012 with the current services estimates shown in the 2012 Budget, published in February 2011.

Part II of the chapter presents a broader comparison of estimates and actual outcomes. This part first discusses the historical record of budget year estimates versus actual results over the last three decades. Second, it lengthens the focus to estimates made for each year of the budget horizon, extending four years beyond the budget year. This longer focus shows that the differences between estimates and the eventual actual results grow as the estimates extend further into the future.

PART I: COMPARISON OF ACTUAL TO ESTIMATED TOTALS FOR 2012

This part of the chapter compares the actual receipts, outlays, and deficit for 2012 with the current services estimates shown in the 2012 Budget, published in February 2011.[1] This part also presents a more detailed comparison for mandatory and related programs, and reconciles the actual receipts, outlays, and deficit totals shown here with the figures for 2012 previously published by the Department of the Treasury.

[1] The current services concept is discussed in Chapter 26, "Current Services Estimates." For mandatory programs and receipts, the February 2011 current services estimate was based on laws then in place, adjusted to reflect extension of certain expiring tax provisions. For discretionary programs the current services estimate was based on the current year enacted appropriations, adjusted to reflect full-year funding of Overseas Contingency Operations and increased for inflation. The current services estimates published in the 2012 Budget re-classified a large number of surface transportation programs as mandatory. The estimate for nondefense discretionary spending was $608 billion and $2,115 billion for mandatory outlays in the published Budget. This proposal was not subsequently enacted, so the applicable costs are shown as discretionary in this chapter for comparability. For a detailed explanation of the 2012 estimate, see "Current Services Estimates," Chapter 27 in *Analytical Perspectives, Budget of the United States Government, Fiscal Year 2012*.

Receipts

Actual receipts for 2012 were $2,450 billion, $158 billion less than the $2,609 billion current services estimate in the 2012 Budget. As shown in Table 29–1, this decrease was the net effect of legislative and administrative changes that differed from what was assumed in the current services estimate, economic conditions that differed from what had been expected, and technical factors that resulted in different tax liabilities and collection patterns than had been assumed.

Policy differences. The February 2011 current services estimate of 2012 receipts reflected permanent extension of estate, gift, and generation-skipping transfer taxes at parameters in effect for calendar year 2009 (a top rate of 45 percent and an exemption amount of $3.5 million); annual indexation of the 2011 parameters of the AMT as enacted in the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010; and permanent extension of most of the income tax reductions for middle-income taxpayers enacted in 2001 and 2003 (as amended by subsequent legislation) that were scheduled to expire on December 31, 2012.

Table 29–1. COMPARISON OF ACTUAL 2012 RECEIPTS WITH THE INITIAL CURRENT SERVICES ESTIMATES
(In billions of dollars)

	Estimate (February 2011)	Changes			Total changes	Actual
		Policy	Economic	Technical		
Individual income taxes	1,145	32	–24	–20	–12	1,132
Corporation income taxes	327	–1	–22	–62	–85	242
Social insurance and retirement receipts	927	–84	–11	13	–82	845
Excise taxes	80	1	–1	–*	–1	79
Estate and gift taxes	13	....	*	1	1	14
Customs duties	31	–2	–*	1	–1	30
Miscellaneous receipts	86	....	3	18	21	107
Total receipts	2,609	–55	–54	–50	–158	2,450

*$500 million or less.

Those provisions were estimated to reduce 2012 receipts by a net $36 billion relative to then-current law; however, they were not enacted before October 1, 2012 and had no effect on 2012 receipts. Several laws were enacted after February 2011 that reduced 2012 receipts by a net $91 billion, $55 billion more than the net tax reductions reflected in the current services estimate. The bulk of the legislated tax reductions enacted after February 2011 that affected 2012 receipts were provided in the Temporary Payroll Tax Cut Continuation Act of 2011 and the Middle Class Tax Relief and Job Creation Act of 2012, which reduced 2012 receipts by an estimated $21 billion and $64 billion, respectively. The major provisions of these two laws extended the two-percentage point reduction in the Social Security payroll tax rate for employees and self-employed individuals to apply to taxable wages and self-employment earnings received during calendar year 2012. Other legislation enacted after February 2011 that affected 2012 receipts included the Trade Adjustment Assistance Extension Act of 2011, the Moving Ahead for Progress in the 21st Century (MAP-21) Act, and the FAA Modernization and Reform Act of 2012.

Economic differences. Differences between the economic assumptions upon which the current services estimates were based and actual economic performance reduced 2012 receipts by a net $54 billion below the February 2011 estimate. These differences had the greatest effect on individual income taxes, corporation income taxes, and social insurance and retirement receipts, reducing those sources of receipts by $24 billion, $22 billion, and $11 billion, respectively. The reduction in individual income tax receipts was primarily attributable to lower-than-anticipated wages and salaries and other sources of taxable personal income than assumed in February 2011. Lower-than-anticipated wages and salaries and proprietors' income—the tax base for Social Security and Medicare payroll taxes—were in large part responsible for the reduction in social insurance and retirement receipts. Corporations were less profitable than initially projected, which reduced collections of corporation income taxes below the February 2011 estimate. Reductions in these three sources of receipts were partially offset by a net $2 billion increase in other sources of receipts. An increase in deposits of earnings of the Federal Reserve System of $3 billion, attributable to different interest rates and other economic factors than projected in February 2011, was in large part responsible for the net increase in other sources of receipts.

Technical factors. Technical factors reduced receipts by a net $50 billion relative to the February 2011 current services estimate. These factors had the greatest effect on individual and corporation income taxes, reducing collections by $20 billion and $62 billion, respectively. The models used to prepare the February 2011 estimates of individual and corporation income taxes were based on historical economic data and then-current tax and collections data that were all subsequently revised. These revisions indicated that: (1) sources of income that are not part of the economic forecast, but subject to tax, such as capital gains and pensions, differed from what was expected at the time the February 2011 estimates were prepared; (2) for most sources of income subject to individual and corporation income taxes, both the percentage that was subject to tax and the effective tax rate on the portion subject to tax differed from what was anticipated; and (3) the timing of the payment of tax liability was different from what had been assumed. These reductions in corporation and individual income taxes were partially offset by increases in social insurance and retirement receipts and miscellaneous receipts of $13 billion and $18 billion, respectively. An increase in deposits by States to the unemployment insurance trust fund to replenish depleted balances accounted for $9 billion of the $13 billion increase in social insurance and retirement receipts relative to the February 2011 estimate. The additional $4 billion increase in social insurance and retirement receipts—primarily Social Security and Medicare payroll taxes—was attributable in large part to models based on historical economic data and then-current data from employer returns that underestimated the percentage of wages and salaries and self-employment earnings subject to payroll taxes. Changes in the size and composition of the investments of the Federal Reserve System from what was assumed in February 2011 were primarily responsible for the $18 billion increase in miscellaneous receipts.

Outlays

Outlays for 2012 were $3,537 billion, $162 billion less than the $3,699 billion current services estimate in the 2012 Budget. Table 29–2 distributes the $162 billion net decrease in outlays among discretionary and mandatory programs and net interest.[2] The table also shows rough estimates according to three reasons for the changes: policy; economic conditions; and technical estimating differences, a residual.

Policy differences. Policy changes are the result of legislative actions that change spending levels, primarily through higher or lower appropriations or changes in authorizing legislation, which may themselves reflect responses to changed economic conditions. For 2012, policy changes decreased outlays by less than $1 billion relative to the initial current services estimates. Final 2011 discretionary appropriations were not enacted at the time of the 2012 Budget, so the February 2011 estimate of discretionary outlays was based on an annualized continuing resolution rate that was higher than the final bill. The combined policy changes from final 2011 and 2012 appropriations, including Overseas Contingency Operations, reduced discretionary outlays by $47 billion.

Policy changes increased mandatory outlays by a net $46 billion above current law. Much of this increase was the result of changes in unemployment compensation enacted in 2011 and 2012 that increased 2012 outlays by $31 billion. The extension of relief from scheduled re-

[2] Discretionary programs are controlled by annual appropriations, while mandatory programs are generally controlled by authorizing legislation. Mandatory programs are primarily formula benefit or entitlement programs with permanent spending authority that depends on eligibility criteria, benefit levels, and other factors.

Table 29–2. COMPARISON OF ACTUAL 2012 OUTLAYS WITH THE INITIAL CURRENT SERVICES ESTIMATES
(In billions of dollars)

	Estimate	Changes			Total changes	Actual
		Policy	Economic	Technical		
Discretionary:						
Defense	735	–23	....	–42	–65	671
Nondefense [1]	662	–23	....	–25	–48	614
Subtotal, discretionary	1,398	–47	....	–67	–113	1,285
Mandatory:						
Social Security	761	–*	15	–8	7	768
Medicare and Medicaid	737	13	1	–35	–21	717
Other programs [1]	557	33	–7	–35	–9	548
Subtotal, mandatory	2,055	46	10	–78	–23	2,032
Disaster costs [2]	7	....	....	–7	–7	....
Net interest	240	*	–28	9	–20	220
Total outlays	3,699	–*	–19	–143	–162	3,537

* $500 million or less.

[1] The current services estimates published in the 2012 Budget re-classified a large number of surface transportation programs as mandatory. The estimate for nondefense discretionary spending was $608 billion and $2,115 billion for mandatory outlays in the published Budget. This proposal was not subsequently enacted, so the applicable costs are shown as discretionary in this table for comparability.

[2] These amounts were included in the 2012 Budget to represent the statistical probability of a major disaster requiring Federal assistance for relief and reconstruction. Such assistance might be provided in the form of discretionary, or mandatory outlays or tax relief. These amounts were included as outlays for convenience.

ductions in Medicare physician payments enacted in the Temporary Payroll Tax Cut Continuation Act of 2011 and the Middle Class Tax Relief and Job Creation Act of 2012 increased outlays by an additional $13 billion. Debt service costs associated with the policy changes increased outlays by less than $1 billion.

Economic differences. There was a net decrease in outlays of $19 billion as a result of differences between actual economic conditions and those forecast in February 2011. The greatest change was in net interest, where lower-than-anticipated inflation and other changes in economic factors decreased outlays by $28 billion. Unemployment compensation spending was $7 billion lower than the current services estimate due to economic factors. However, these reductions were partially offset by increases in Social Security spending of $15 billion due to differences in economic conditions: the cost of living adjustment for January 2012 projected in the 2012 Budget was 0.9 percent but the actual adjustment was 3.6 percent.

Technical factors. Technical estimating factors resulted in a net decrease in outlays of $143 billion. Technical changes result from changes in such factors as the number of beneficiaries for entitlement programs, crop conditions, or other factors not associated with policy changes or economic conditions. Outlays for discretionary programs decreased by $67 billion, as agencies spent resources more slowly than assumed in February 2011, particularly following enactment of lower spending caps for discretionary programs as part of the Budget Control Act of 2011. Outlays for mandatory programs decreased a net $78 billion; the largest change was a $26 billion decrease in unemployment compensation due to a reduction in the insured unemployment rate relative to the broader civilian unemployment rate and a lower-than-anticipated portion of the unemployed receiving benefits. There were also $18 billion and $17 billion decreases in Medicare and Medicaid spending, respectively. This was partially offset by a $15 billion upward reestimate of the cost of the Troubled Asset Relief Program (TARP).[3] Net interest outlays increased by $9 billion due to technical factors.

[3] For more information on TARP costs, please see Chapter 3 of this volume, "Financial Stabilization Efforts and their Budgetary Effects."

Table 29–3. COMPARISON OF THE ACTUAL 2012 DEFICIT WITH THE INITIAL CURRENT SERVICES ESTIMATE
(In billions of dollars)

	Estimate	Changes			Total changes	Actual
		Policy	Economic	Technical		
Receipts	2,609	–55	–54	–50	–158	2,450
Outlays	3,699	–*	–19	–143	–162	3,537
Deficit	1,090	55	35	–93	–4	1,087

Note: Deficit changes are outlays minus receipts. For these changes, a positive number indicates an increase in the deficit.
* $500 million or less.

Deficit

The preceding two sections discussed the differences between the initial current services estimates and the actual amounts of Federal government receipts and outlays for 2012. This section combines these effects to show the net deficit impact of these differences.

As shown in Table 29–3, the 2012 current services deficit was initially estimated to be $1,090 billion. The actual deficit was $1,087 billion, which was a $4 billion decrease from the initial estimates. Receipts and outlays were $158 billion and $162 billion less than the initial estimate, respectively. The table shows the distribution of the changes according to the categories in the preceding two sections. The net effect of policy changes for receipts and outlays increased the deficit by $55 billion. Economic conditions that differed from the initial assumptions in February 2011 increased the deficit by $35 billion. Technical factors decreased the deficit by an estimated $93 billion.

Comparison of the Actual and Estimated Outlays for Mandatory and Related Programs for 2012

This section compares the original 2012 outlay estimates for mandatory and related programs in the current services estimates of the Budget with the actual outlays. Major examples of these programs include Social Security and Medicare benefits, Medicaid and unemployment compensation payments, and deposit insurance for banks and thrift institutions. This category also includes net interest outlays and undistributed offsetting receipts.

A number of factors may cause differences between the amounts estimated in the Budget and the actual mandatory outlays. For example, legislation may change benefit rates or coverage, the actual number of beneficiaries may differ from the number estimated, or economic conditions (such as inflation or interest rates) may differ from what was assumed in making the original estimates.

Table 29–4 shows the differences between the actual outlays for these programs in 2012 and the current services estimates included in the 2012 Budget.[4] Actual outlays for mandatory spending and net interest in 2012 were $2,252 billion, which was $42 billion less than the current services estimate of $2,295 billion in February 2011.

As Table 29–4 shows, actual outlays for mandatory human resources programs were $2,059 billion, $28 billion less than originally estimated. This decrease was the net effect of legislative action, differences between actual and assumed economic conditions, differences between the anticipated and actual number of beneficiaries, and other technical differences. Most significantly, outlays for Medicaid decreased by $19 billion. Outlays for programs in other functions were $11 billion more than originally estimated, largely due to upward reestimates in the Troubled Asset Relief Program, and net outlays for undistributed offsetting receipts were $6 billion lower than expected.

Outlays for net interest were $220 billion, or $20 billion less than the original estimate. As shown on Table 29–4, interest payments on Treasury debt securities decreased by $115 billion, offset by reduced interest earnings. This difference is chiefly due to a large adjustment to reflect a change in the accounting method for interest transactions with Defense Civil Programs from an accrual basis to a cash basis. This accounting change resulted in a $75 billion reduction of Treasury intragovernmental interest outlays to reflect the premiums that would have been recorded at the time of purchase under the cash-based method. The change resulted in offsetting increases in net outlays for interest received by trust funds and other interest of $49 billion and $26 billion respectively. This intragovernmental interest adjustment had no net effect on the deficit.

Reconciliation of Differences with Amounts Published by the Treasury for 2012

Table 29–5 provides a reconciliation of the receipts, outlays, and deficit totals for 2012 published by the Department of the Treasury in the September 2012 Monthly Treasury Statement (MTS) and those published in this Budget. The Department of the Treasury made adjustments to the estimates for the Combined Statement of Receipts, Outlays, and Balances, which decreased outlays by $160 million. Additional adjustments for the 2014 Budget increased receipts by $1,071 million and decreased outlays by $1,159 million. The largest adjustment relates to a conceptual difference in reporting for the National Railroad Retirement Investment Trust (NRRIT). NRRIT reports to the Department of the Treasury with a one-month lag so that the fiscal year total provided in the Treasury Combined Statement covers September 2011 through August 2012. The Budget has been adjusted to reflect transactions that occurred during the actual fiscal year, which begins October 1. Because the returns on NRRIT's investments in private securities are highly volatile, this adjustment can lead to large changes in the reported fiscal year outlay totals, in this case $2,040 million for 2012. Aside from this timing difference, the Budget includes a number of financial transactions that are not reported to the Department of the Treasury, including those for the Public Company Accounting Oversight Board, the Affordable Housing Program, the Securities Investor Protection Corporation, the Electric Reliability Organization, the Standard Setting Body, and the United Mine Workers of America benefit funds. The Budget also reflects agency adjustments to 2012 outlays reported to Treasury after preparation of the Treasury Combined Statement.

[4] See footnote 1 for an explanation of the current services concept.

Table 29–4. COMPARISON OF ACTUAL AND ESTIMATED OUTLAYS FOR MANDATORY AND RELATED PROGRAMS UNDER CURRENT LAW

(In billions of dollars)

	2012		
	Estimate	Actual	Change
Mandatory outlays:[1]			
Human resources programs:			
Education, training, employment, and social services:			
Higher education	–9	–14	–5
Other	12	10	–2
Total, education, training, employment, and social services	3	–5	–8
Health:			
Medicaid	269	251	–19
Other	38	36	–2
Total, health	307	286	–20
Medicare	468	466	–2
Income security:			
Retirement and disability	129	130	1
Unemployment compensation	93	91	–2
Food and nutrition assistance	100	99	–1
Other	160	156	–4
Total, income security	482	476	–6
Social Security	761	768	7
Veterans benefits and services:			
Income security for veterans	55	56	1
Other	11	12	1
Total, veterans benefits and services	66	68	2
Total, mandatory human resources programs	2,087	2,059	–28
Other functions:			
Agriculture	12	12	–*
International	–1	–3	–1
Mortgage credit	6	–2	–8
Deposit insurance	4	7	2
Other advancement of commerce (includes the Troubled Asset Relief Program)	12	34	21
Other functions	31	29	–3
Total, other functions	65	77	11
Undistributed offsetting receipts:			
Employer share, employee retirement	–81	–84	–3
Rents and royalties on the Outer Continental Shelf	–7	–7	1
Other undistributed offsetting receipts	–9	–13	–4
Total, undistributed offsetting receipts	–97	–104	–6
Total, mandatory	2,055	2,032	–23
Net interest:			
Interest on Treasury debt securities (gross)	474	359	–115
Interest received by trust funds	–181	–127	53
Other interest	–54	–12	42
Total, net interest	240	220	–20
Total, outlays for mandatory and net interest	2,295	2,252	–42

* $500 million or less.

[1] The current services estimates published in the 2012 Budget re-classified a large number of surface transportation programs as mandatory. The estimate for nondefense discretionary spending was $608 billion and $2,115 billion for mandatory outlays in the published Budget. This proposal was not subsequently enacted, so the applicable costs are excluded from this table for comparability.

Table 29–5. RECONCILIATION OF FINAL AMOUNTS FOR 2012
(In millions of dollars)

	Receipts	Outlays	Deficit
Totals published by Treasury (September MTS)	2,449,093	3,538,446	1,089,353
Miscellaneous Treasury adjustments	....	–160	–160
Totals published by Treasury in Combined Statement	2,449,093	3,538,286	1,089,193
National Railroad Retirement Investment Trust	....	–2,040	–2,040
Standard Setting Body	39	39	....
Public Company Accounting Oversight Board	215	229	14
Affordable Housing Program	286	286	....
Securities Investor Protection Corporation	396	220	–176
Electric Reliability Organization	100	100	....
United Mine Workers of America benefit funds	35	35	....
Federal Retirement Thrift Investment Board program expenses	....	–13	–13
Other	....	–15	–15
Total adjustments, net	1,071	–1,159	–2,230
Totals in the Budget	2,450,164	3,537,127	1,086,963
MEMORANDUM:			
Total change since year-end statement	1,071	–1,319	–2,390

PART II: HISTORICAL COMPARISON OF ACTUAL TO ESTIMATED SURPLUSES OR DEFICITS

This part of the chapter compares estimated surpluses or deficits to actual outcomes over the last three decades. The first section compares the estimate for the budget year of each budget with the subsequent actual result. The second section extends the comparison to the estimated surpluses or deficits for each year of the budget window: that is, for the current year through the fourth year following the budget year. This part concludes with some observations on the historical record of estimates of the surplus or deficit versus the subsequent actual outcomes.

Historical Comparison of Actual to Estimated Results for the Budget Year

Table 29–6 compares the estimated and actual surpluses or deficits since the deficit estimated for 1982 in the 1982 Budget. The estimated surpluses or deficits for each Budget include the Administration's policy proposals. Therefore, the original deficit estimate for 2012 differs from that shown in Table 29–3, which is on a current services basis. Earlier comparisons of actual and estimated surpluses or deficits were on a policy basis, so for consistency the figures in Table 29–6 are on this basis.

On average, the estimates for the budget year underestimated actual deficits (or overestimated actual surpluses) by $51 billion over the 31-year period. Policy outcomes that differed from the original proposals increased the deficit by an average of $68 billion. Differences between economic assumptions and actual economic performance increased the deficit an average of $25 billion. Differences due to these two factors were partly offset by technical revisions, which reduced the deficit an average of $42 billion.

The relatively small average difference between actual and estimated deficits conceals a wide variation in the differences from budget to budget. The differences ranged from a $1,005 billion underestimate of the deficit to a $192 billion overestimate. The $1,005 billion underestimate in the 2009 Budget was due largely to enactment of housing, economic stabilization, emergency unemployment assistance, and economic recovery legislation in response to a weak economy, lower 2009 receipts due to weak economic performance, and emergency supplemental appropriations for combat operations in Iraq and Afghanistan in 2008 and 2009. The $192 billion overestimate of the deficit in the 2007 Budget stemmed largely from higher-than-anticipated collections of individual and corporation income taxes due to different collection patterns and effective tax rates than initially assumed, as well as lower-than-expected outlays due to technical factors.

Because the average deficit difference obscures the degree of under- and over-estimation in the historical data, a more appropriate statistic to measure the magnitude of the differences is the average absolute difference. This statistic measures the difference without regard to whether it was an under- or overestimate. Since 1982, the average absolute difference has been $129 billion.

Other measures of variability include the standard deviation and the root mean squared error. These measures calculate the dispersion of the data around the average value. As shown in Table 29–6, the standard deviation of the deficit differences since 1982 is $218 billion and the root mean squared error is $224 billion. Similar to the average absolute difference, these measures illustrate the high degree of variation in the difference between estimates and actual deficits.

One challenge in looking at historical values is adjusting for the relative size of the economy and the Federal Government. When total change in the deficit is expressed as a percent of GDP in the budget year, the average underestimation of the deficit is 0.6 percent of GDP over the 31-year period. The change from the 2009 Budget to the actual is still the greatest deficit increase over this period on this basis. The 1998 Budget had the largest downward revision to the deficit as a percent of GDP, going from deficit to surplus.

The large variability in errors in estimates of the surplus or deficit for the budget year underscores the inherent uncertainties in estimating the future path of the Federal budget. Some estimating errors are unavoidable, because of differences between the President's original budget proposals and the legislation that Congress subsequently enacts. Occasionally such differences are very large, such as additional spending in 2002 for disaster recovery, homeland security, and military operations in Afghanistan in response to the terrorist attacks of September 11, 2001, which could not have been anticipated in the Budget submitted in February 2001. Even aside from differences in policy outcomes, errors in budget estimates can arise from new economic developments, unexpected changes in program costs, shifts in taxpayer behavior, and other factors. The budget impact of changes in economic assumptions is discussed further in Chapter 2 of this volume, "Economic Assumptions and Interactions with the Budget."

Five-Year Comparison of Actual to Estimated Surpluses or Deficits

The substantial difference between actual surpluses or deficits and the budget year estimates made less than

Table 29–6. COMPARISON OF ESTIMATED AND ACTUAL SURPLUSES OR DEFICITS SINCE 1982

(In billions of dollars)

Budget	Surplus (–) or deficit (+) estimated for budget year [1]	Differences due to			Total difference	Actual surplus (–) or deficit (+)	Total difference as a percent of GDP
		Enacted legislation	Economic factors	Technical factors			
1982	62	–15	70	11	66	128	2.1
1983	107	12	67	22	101	208	2.9
1984	203	21	–38	*	–17	185	–0.5
1985	195	12	17	–12	17	212	0.4
1986	180	8	27	7	41	221	0.9
1987	144	–2	16	–8	6	150	0.1
1988	111	9	19	16	44	155	0.9
1989	130	22	–10	11	23	153	0.4
1990	91	21	31	79	131	221	2.3
1991	63	–21	85	143	206	269	3.5
1992	281	36	21	–48	9	290	0.2
1993	350	8	13	–115	–95	255	–1.4
1994	264	8	–16	–52	–61	203	–0.9
1995	165	18	–1	–18	–1	164	–0.0
1996	197	–6	–53	–30	–89	107	–1.2
1997	140	–1	4	–121	–118	22	–1.4
1998	121	9	–48	–151	–190	–69	–2.2
1999	–10	22	–56	–82	–116	–126	–1.3
2000	–117	42	–88	–73	–119	–236	–1.2
2001	–184	129	–32	–41	56	–128	0.5
2002	–231	104	201	84	389	158	3.7
2003	80	86	34	177	297	378	2.7
2004	307	122	22	–39	105	413	0.9
2005	364	67	11	–123	–45	318	–0.4
2006	390	141	–6	–277	–142	248	–1.1
2007	354	85	–7	–270	–192	162	–1.4
2008	239	165	98	–44	219	459	1.5
2009	407	595	234	176	1,005	1,413	7.2
2010	1,258	75	121	–160	36	1,294	0.3
2011	1,267	295	–*	–261	33	1,300	0.2
2012	1,101	44	35	–93	–14	1,087	–0.1
Average		68	25	–42	51		0.6
Absolute average [2]		71	48	88	129		1.4
Standard deviation		116	68	111	218		1.9
Root mean squared error		135	72	119	224		2.0

* $500 million or less.
[1] Surplus or deficit estimate includes the effect of the Budget's policy proposals.
[2] Absolute average is the average without regard to sign.

Table 29–7. DIFFERENCES BETWEEN ESTIMATED AND ACTUAL SURPLUSES OR DEFICITS FOR FIVE-YEAR BUDGET ESTIMATES SINCE 1982

(Dollar amounts in billions)

	Current year estimate	Budget year estimate	Estimate for budget year plus: One year (BY+1)	Two years (BY+2)	Three years (BY+3)	Four years (BY+4)
In dollars:						
Average difference	62	–51	–154	–224	–275	–297
Average absolute difference [1]	91	128	231	313	368	396
Standard deviation	120	218	337	407	435	428
Root mean squared error	135	224	370	464	515	521
As a percent of GDP:						
Average difference	0.5	–0.6	–1.5	–2.0	–2.5	–2.7
Average absolute difference	0.9	1.4	2.3	3.0	3.5	3.8
Standard deviation	1.0	1.9	2.8	3.2	3.4	3.4
Root mean squared error	1.1	2.0	3.2	3.8	4.2	4.3

Note: A positive figure represents an overestimate of the deficit or an underestimate of the surplus.

[1] Average absolute difference is the difference without regard to sign.

two years earlier raises questions about the degree of variability for estimates of years beyond the budget year. Table 29–7 shows the summary statistics for the differences for the current year, budget year, and the four succeeding years. These are the years that are required to be estimated in the budget by the Balanced Budget and Emergency Deficit Control Act, as amended.

On average, the budget estimates since 1982 overstated the deficit in the current year by $62 billion, but underestimated the deficit in the budget year by $51 billion. The budget estimates on average understated the deficit in the years following, by amounts growing from $154 billion one year beyond the budget year to $297 billion four years beyond the budget year. While these results suggest a tendency to underestimate deficits toward the end of the budget horizon, the averages are not statistically different from zero in light of the high variation in the data. Chapter 2 of this volume, “Economic Assumptions and Interactions with the Budget,” further discusses the variability in the difference between estimated and actual deficits over the budget horizon and includes Chart 2–2, which is based on the variability measures shown in Table 29–7.

30. BUDGET AND FINANCIAL REPORTING

The budget is a plan for allocating financial resources of the Federal Government and a means to control the allocation of resources. It is also the primary mechanism for reporting fiscal results. Each year, the President's Budget proposes a fiscal plan for the current year and the coming budget year, includes projections for subsequent years, and reports budget results for prior fiscal years. Budget reporting occurs throughout the year with the *Monthly Treasury Statement*, which culminates in the first report of fiscal-year-end results in the September *Monthly Treasury Statement*.

In addition to the budget, another key source of financial information for the Government is the annual *Financial Report of the U.S. Government*. The *Financial Report* provides information on the cost of the Government's operations, the relationship between the Government's operating cost and the Government's budget deficit, the Government's financial position at the beginning and end of the fiscal year, and forward-looking information on the Government's financial condition. Financial reporting and budget reporting use much of the same underlying data pertaining to agency financial transactions, but financial reports[1] compile the data using different methods and present the data using different formats, as explained in this chapter.

Although discussed only briefly in this chapter, a third source of Government financial information is the integrated macroeconomic accounts, which are a series of accounts that relate flows of production, income, saving, and investment to financial holdings and physical capital stocks for the major sectors of the U.S. economy.[2] Federal Government financial transactions are included as a separate sector of the integrated accounts. The integrated accounts combine the national income and product accounts with the flow of funds accounts,[3] and the treatment of Federal transactions under national income and product accounting and under budgetary accounting is compared in Chapter 28 of this volume, "National Income and Product Accounts."

The Purpose of Budget and Financial Reporting

Budget and financial reporting provide accountability and transparency in Government spending and revenue. For example, the exercise of the authority to tax means that the Government should be accountable to the public for its use of tax dollars and be transparent in its activities by reporting the amount of money raised by taxation and other means, the programs on which the money was spent, and whether the money was spent in accordance with the requirements of appropriations, authorizing, and other applicable laws. In addition, the Government should report balances for, among other things, cash on hand, other financial assets, and dedicated funds,[4] and to report on Government borrowing needs.

In addition to providing information about how financial resources are obtained and used, accountability requires that the Government provide information about its operating performance. This includes information about the costs and results of Government programs and activities, and the degree to which their performance was efficient or effective. Chapters 6, 7, 8, and 9 of this volume, "Social Indicators," "Delivering a High-Performance Government," "Program Evaluation and Data Analytics," and "Benefit-Cost Analysis" provide more information about the Government's operating performance and performance measurement. Unlike a private entity, Government performance cannot be summed up in a single measure such as net income or net loss found on an income statement or net position found on a balance sheet.

The budget and financial reports provide information to hold the Government accountable, reporting on how and how well the Government has obtained, used, and managed its financial and other resources. The budget and financial reports seek to provide information in a transparent manner. Transparency is an important element of accountability for past actions, allowing the public to see the assets and liabilities remaining after those actions occurred. Transparency is equally important when looking to the future. Future plans can only be evaluated based on how clearly and how completely they are explained.

As a financial plan, the President's Budget contains detailed information about the Government's fiscal policies for the coming fiscal year and the ten-year budget window. In addition, the Budget provides long-term (75-year) information about projected spending and projected receipts in Chapter 4 of this volume, "Long Term Budget Outlook." The Financial Report also contains information

[1] As used in this chapter, "*Financial Report*" refers to the *Financial Report of the United States Government*, which is the consolidated financial report for the Executive Branch and some Legislative and Judicial Branch entities, and "financial reports" refer to both the *Financial Report* and the Agency Financial Reports or Performance and Accountability Reports issued by Executive Branch agencies. The *Financial Report* is issued by the Department of the Treasury in coordination with the Office of Management and Budget.

[2] The integrated accounts follow the guidelines of the System of National Accounts 1993 and are prepared jointly by the Bureau of Economic Analysis and the staff of the Board of Governors of the Federal Reserve.

[3] The national income and product accounts show production, income, and expenditures for each sector of the economy and how these measures relate to wealth. Flow of funds accounts show financial flows (in the form of borrowing, lending, and investment) through the various sectors of the economy.

[4] In this chapter, "dedicated" funds or collections refer to those Government collections that are designated for a particular purpose; the collections may be voluntary or compulsory and include collections in trust, special, and revolving funds.

about the Government's long-run fiscal condition, showing projections of long-run sustainability and detailed information about social insurance[5] programs. The detailed historical and projected information contained in the Budget and the financial reports provide the public with transparent information about the Government's financial activities.

The Budget

As noted above, the budget serves as both a forward-looking planning tool and a backward-looking accountability report. To serve these dual purposes, the President's Budget contains both budget projections and historical budget data. The budget projections and historical data contain measures that represent flows or amounts over a period of time (usually a year) and measures that represent balances or amounts at a point in time (such as the end of a fiscal year). These budget measures generally reflect either a cash basis or an accrual basis of accounting. Cash-based measures record transactions when cash is either paid or received, regardless of when the expense is incurred or when the revenue is earned or due, and accrual-based measures record transactions when they occur regardless of when the cash is exchanged.

Measures

Budget measures that represent flows include budget authority, obligations, outlays, receipts,[6] and the deficit or surplus. Budget measures that represent balances at a point in time are referred to as "stocks" in budgetary accounting and economics literature and include debt held by the public, debt net of financial assets, and gross Federal debt.

Budget authority is the amount of resources made available by the Congress and the President for use during a given period, usually a year. Obligations are legal financial commitments incurred during a year and cannot exceed the available budget authority. Both budget authority and obligations are generally recorded when a transaction occurs, rather than when cash is actually received or paid out by the Government.[7] Budget authority and obligations are used to control the amount of resources the Government uses. Government agencies record their use of budget authority, or obligations, on an ongoing basis as they conduct business so that they do not exceed the resources provided.

Outlays are the liquidation or payment of obligations during a year, and are measured primarily on a cash basis.[8] Whereas budget authority and obligations are used to control the amount of resources used, outlays reflect the actual use of Government resources and can have an impact on the economy. If outlays exceed Government receipts, the Government generally must borrow money from the public to cover the difference. Receipts are inflows of financial resources to the Government during a year resulting from the Government's sovereign authority to impose taxes or otherwise compel payment and are measured on a cash basis. Because the deficit or surplus is the difference between outlays and receipts for a given year, it represents an annual flow and (like outlays and receipts) is measured primarily on a cash basis.

In contrast to all of these measures that generally represent flows, the debt held by the public is a stock measure, and it can be viewed as the accumulation of past deficits less past surpluses. Debt held by the public is measured as the principal amount due at maturity (also called par value or face value) less any unamortized discount or plus any unamortized premium.[9] Chapter 11 of this volume, "Budget Concepts," and Chapter 5 of this volume, "Federal Borrowing and Debt," contain more complete definitions of these concepts.

The President's Budget presents budget authority, obligations, outlays, and receipts at a summary level, for example, for the Government as a whole and by agency. In addition, the Budget presents all four of these measures at a very detailed level, by program, activity, and account. In addition to summary and detailed budget data, the Budget presents total obligations by object class and total budget authority and outlays by function and subfunction. The Budget presents the deficit (or surplus) and debt held by the public (and other measures) in nominal and inflation-adjusted dollar amounts, and as a percent of gross domestic product (GDP).[10]

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[5] As used in this chapter, "social insurance" refers to Social Security, Medicare, Unemployment Insurance, Railroad Retirement, and the Black Lung Programs.

[6] The term "receipts" is used in this chapter to refer to governmental receipts. It does not refer to other collections such as offsetting receipts or offsetting collections, nor does it refer to the repayment of loans. See Chapter 11 of this volume, "Budget Concepts," for an explanation of the difference between governmental receipts, offsetting receipts, and offsetting collections.

[7] Budget authority and obligations for loans and loan guarantees, or credit programs, are measured on a net present value basis. The present value of the cash outflows and inflows associated with the loan or loan guarantee is recorded as budget authority and obligations when the loan or guarantee is made. A present value represents the value today of some future amount and, thus, reflects the time value of money. A present value can be used as an accrual measure. In addition to being used for Federal credit programs, present values are used in budgetary accounting for Federal employee defined-benefit pension plans.

[8] In contrast to most Government outlays, which are measured on a cash basis, outlays for interest on debt held by the public are measured on an accrual basis. Budget authority and obligations for interest on debt held by the public are measured on an accrual basis, which is generally consistent with budget authority and obligations measures for most other programs. Outlays for credit programs are measured on a net present value basis with the present value of the cash outflows and inflows recorded as an outlay when the loan or guarantee is made. From an agency perspective, budget authority, obligations, and outlays for Federal employee defined-benefit pension plans are recorded on an accrual basis (with the actuarially accruing defined-benefit costs estimated by using present values). From a government-wide perspective, however, budget authority, obligations, and outlays for Federal employee defined benefit pensions are recorded on a cash basis. This is because agency payments to a Government defined-benefit pension plan–such as Military Retirement or Civil Service Retirement–are recorded as collections by the plan trust funds and net to zero within the unified budget. As a consequence of this netting, only the defined-benefit payments to current retirees constitute budget authority, obligations, and outlays in the budget, and only these payments are reflected in the deficit.

[9] For inflation-indexed securities, debt is measured as the par value plus a periodic adjustment for inflation.

[10] The deficit and debt, as well as other measures, are presented as a percent of gross domestic product because these measures are best compared over time by looking at them in relation to the size of the economy

Summary and detailed data for budget authority, obligations, outlays, and receipts; object class data; and functional classification data are reported for the prior fiscal year, the current fiscal year, and the budget year. In addition, many of these measures are presented for the entire ten-year budget horizon, and the summary measures are presented historically, in the *Historical Tables* volume, and projected for 75 years in Chapter 4 of this volume, "Long Term Budget Outlook."

Structure

The President's Budget consists of multiple volumes, including the main *Budget* volume, the *Budget Appendix*, the *Analytical Perspectives* volume, the *Historical Tables*, the *Federal Credit Supplement*, and other supplemental materials. In addition, the Mid-Session Review, with revised budget estimates, is issued later in the calendar year, in the middle of the Congressional session. The main *Budget* volume is primarily a textual summary of the budget, discussing the Administration's fiscal plan, including its policy and program priorities, and significant proposed changes to current law. The *Budget Appendix* contains the proposed appropriations language for each program, activity, or account that receives an appropriation, whether the appropriation is annual, biennial, or permanent. The *Analytical Perspectives* volume provides historical and cross-cutting analyses of the budget, and the *Historical Tables* volume reports historical data for summary budget measures; many are expressed in nominal and inflation-adjusted dollars and as a percent of GDP. The *Federal Credit Supplement* provides detailed information about the Government's loan and loan guarantee programs that are governed by the Federal Credit Reform Act (FCRA). In addition to the documents that comprise the President's Budget, the budget transmittal to the Congress involves the transmittal of Congressional Budget Justifications for each agency subject to the appropriations process and the transmittal of authorizing legislation in support of the President's Budget.

The Financial Reports

As noted above, financial reports are primarily an accountability tool. The Government's financial reports are not plans, although they provide information that can be used in developing a fiscal plan. The *Financial Report* provides information about the Government's financial position at the end of the prior fiscal year and how the financial position changed during the course of the fiscal year. In addition, like the budget, the financial reports contain measures[11] that represent flows and measures that represent balances at a point in time or stocks. The financial reports contain measures that are reported on modified-cash and accrual bases of accounting, and the *Financial Report* is intended for five groups of users: citizens, citizen intermediaries (such as the media or non-profit groups that monitor Government activities), the Congress, Federal executives, and program managers.[12]

Measures

The financial reporting measures that represent flows include revenues, expenses, and net operating cost, which is the difference between revenues and expenses. The measures that represent stocks include assets, liabilities, and net position, which is the difference between assets and liabilities. The most widely cited of these measures are the net operating cost and net position.

Generally, roughly 10 percent of the Government's revenues are recognized on an accrual basis in the financial reports, and the remainder, approximately 90 percent of revenues, is recognized on a cash basis; overall, revenues are said to be recognized on a "modified-cash" basis of accounting. Assets (e.g., property, plant, and equipment) are generally measured at historical or acquisition cost, but some assets (e.g., holdings of debt) are measured at fair market value. Expenses are measured on an accrual basis.

Net operating cost and net position are derived from revenues and expenses and from assets and liabilities, respectively. Even though they are derived from measures (including revenues) that are not pure accrual measures, both net operating cost and net position are generally considered to be accounted for on an accrual basis.

Structure

The *Financial Report* consists of seven basic financial statements organized as follows: the Statement of Net Cost, the Statement of Operations and Changes in Net Position, the Reconciliation of Net Operating Cost and Unified Budget Deficit, the Statement of Changes in Cash Balance from Unified Budget and Other Activities, the Balance Sheet, the Statement of Social Insurance,[13] and the Statement of Changes in Social Insurance. Reported with the basic statements are required note disclosures. In addition, the *Financial Report* contains a Management's Discussion and Analysis section that summarizes the highlights of the statements, required supplementary disclosures (which include a Statement of Long-Term Fiscal Projections), supplementary stewardship information, and the auditor's report. The *Financial Report* is the government-wide report for the Executive Branch and contains some financial data from the Legislative and Judicial Branches.

Individual agencies produce Agency Financial Reports or Performance and Accountability Reports, which include financial information that is used to develop the *Financial Report* and program performance information that is unique to each agency. The financial statements for agencies consist of four to seven basic statements. Five of the statements are similar to statements in the *Financial Report*: the Statement of Net Cost, the Statement of Operations and Changes in Net Position, the Balance Sheet, and, if applicable, the Statements of Social

as a whole, as measured by GDP.

[11] The term "measures" is used in this chapter to refer to both budget and financial measures; however, the Statements of Federal Financial Accounting Concepts and Standards refer to the financial measures as "elements."

[12] Federal financial reporting is conducted in accordance with generally accepted accounting principles (GAAP).

[13] See footnote 6 for a definition of social insurance.

Insurance and Changes in Social Insurance.[14] Two statements required at the agency level are not included in the *Financial Report*: the Statement of Budgetary Resources and, if applicable, the Statement of Custodial Activity.[15]

Comparison of the Budget and Financial Reports

Revenues in the *Financial Report* and budgetary receipts are quite similar, with revenues recognized on a modified cash basis and receipts recognized on a pure cash basis. The revenues recognized on an accrual basis are those resulting from Government business-like transactions with the public, for example the sale of stamps by the Postal Service, the recreation fees paid at National Parks, and premiums for Supplementary Medicare Insurance; these revenues are referred to as "earned revenues."[16] As noted above, earned revenues are generally 10 percent of total earned and unearned revenues. Because the cash and accrual bases of earned revenues are themselves quite similar and because most revenues are recognized on a cash basis, the difference between total revenues and total receipts tends to be relatively small.

Expenses in the financial reports are recognized on an accrual basis and in this regard are similar[17] to budgetary obligations. However, because expenses are subtracted from revenues to derive net operating cost, they are more frequently compared with budgetary outlays. In contrast to expenses, outlays are generally recognized on a cash basis.[18] As a result of the difference between cash and accrual accounting, the difference between total expenses (referred to as net cost in the *Financial Report*) and total budgetary outlays can sometimes be significant.

Net operating cost and the budget deficit are the most widely compared measures. They are similar in that both represent the annual increase or decrease in Government resources resulting from financial transactions. The primary difference between net operating cost and the deficit results from the accrual of certain expenses that affect net operating cost but not the budget deficit. For example, the net operating cost includes certain accrued expenses such as expenses for civilian and military employee retirement and veterans programs, expenses for environmental cleanup and disposal, and depreciation expense. In addition, the full cost of asset acquisitions (or usable segments thereof) are included in the deficit up front, when the asset is acquired, but these costs are included in net operating cost only over time, once the asset begins to be used up or depreciated. Because net operating cost is derived from revenues and expenses and the deficit is derived from receipts and outlays, the difference between net operating cost and the deficit results from the differences, discussed above, between revenues and receipts and between expenses and outlays. Both the deficit and the net operating cost are measures of "cost," reflecting generally the difference between resources collected and used in a given year.

Table 30–1. 2012 BUDGET AND FINANCIAL MEASURES AND CY 2011 INTEGRATED ACCOUNTS MEASURES
(In Billions of Dollars)

2012 Budget Measures	
Receipts.	2450.2
Less: Outlays	3537.1
Surplus/(Deficit)	(1087.0)
New Borrowing from the Public	1152.9
Debt Held by the Public	11,281.1
2012 Financial Measures	
Revenues	2518.2
Less: Expenses	3814.3
Less: Unmatched Transactions	20.2
Net Operating Cost	(1316.3)
Assets	2748.3
Less: Liabilities	18,849.3
Net Position	(16,101.0)
CY 2011 Integrated Macroeconomic Accounts Measures	
Current Receipts	2519.6
Less: Current Expenditures	3757.0
Net Saving	(1237.4)
Net Borrowing, Capital	1394.1
Net Borrowing, Financial	1358.9
Assets	3514.6
Less: Liabilities	12258.8
Net Worth	(8744.1)

Liabilities recorded in the financial statements satisfy an accounting definition of that term, which includes, but is not limited to, legal liabilities. This is in contrast to budgetary accounting, where budget authority reflects the legal authority to incur budgetary obligations, obligations are legal commitments, and outlays are the liquidation of those budgetary obligations. Debt held by the public is the primary budgetary stock that is cited as a measure of the Government's cumulative fiscal results. Debt held by the public, which is a legal liability, is shown as a liability on the Government's balance sheet along with other accounting liabilities. Total liabilities (as defined by generally accepted accounting principles), as of 2012, were approximately 67 percent greater than debt held by the public.

Assets are generally recorded in the financial statements at either historical cost or at fair market value. The full cost of an asset is recorded as a budget outlay when the asset is purchased. Assets are not generally

[14] Only agencies with social insurance programs are required to prepare the two social insurance statements.

[15] Only agencies with custodial accounts are required to prepare the Statement of Custodial Activity.

[16] Earned revenue may be received before goods or services are provided, in which case it is referred to as "deferred" revenue. Examples include Department of Energy collections from utility companies for the future cost of disposing of nuclear waste, Federal Communications Commission collections from its competitive bidding system for the recovered analog spectrum for licenses that have not been granted, and Postal Service collections for prepaid postage, outstanding money orders, and prepaid P.O. box rentals. The budget recognizes these amounts when they are received.

[17] Undelivered orders are treated as obligations, but are not recognized as expenses. Once an undelivered order is delivered, it is recognized as an expense.

[18] Some items that are reflected in budget outlays on an accrual basis were noted in footnote 8 above.

reflected in any budget measures after they are acquired, apart from certain financial assets, such as cash balances and loan receivables, which are reflected in a measure of debt held by the public net of financial assets. Net position, which is the difference between assets and liabilities, reported in the financial reports does not have a budgetary analog.

The prior fiscal-year data included in the budget and the fiscal-year results reported in the financial reports are generally all taken from the same source, the Federal Agencies' Centralized Trial-Balance System, known as FACTS I and II. These data are required to be audited for certain Federal agencies[19] and for the government-wide financial statements; the related audit reports, which include audits of prior fiscal year data, are included in the financial reports.

The Federal Sector of the Integrated Macroeconomic Accounts

The integrated macroeconomic accounts are a series of tables that show production, income, saving, capital formation, financial transactions, and asset valuations for each of six major sectors of the economy. The integrated accounts also show how each sector relates to the other sectors and the economy as a whole. The six sectors include as a separate sector the Federal Government.[20] As noted earlier in this chapter, budget reporting is done primarily for planning and control purposes, and financial reporting is done primarily for accountability purposes. The reporting of the integrated macroeconomic accounts data is done primarily for analytic purposes.

The integrated accounts present seven accounts for each of the six sectors of the economy, including the Federal Government sector. [21] These seven accounts reflect seven different types of economic activity and include, among others, a balance sheet account, a current account, a capital account, and a financial account.[22] The information presented in the Federal Government sector of the integrated accounts is similar to information presented in the Budget and the financial reports; however, the data in the integrated accounts follow the conventions of national income accounting. As noted above, budget and financial measures are based primarily on transaction data from FACTS I and FACTS II. The integrated accounts use data from the Bureau of Economic Analysis' national income and product accounts (NIPAs), the Federal Reserve Board's flow of funds accounts, and other sources.[23]

The data in the integrated accounts are different from those presented in the Budget and financial reports, but the measures presented in the Federal Government sector of the integrated accounts represent the same underlying Government activity as the Budget and financial reports. All three seek to measure the cost or the value of Government activity over a period of time and have measures that reflect the Government's financial position at a point in time. The measures in the integrated accounts that represent flows include net saving and net lending/net borrowing, and the measures that represent stocks or balances at a point in time include assets, liabilities, and net worth.

The "current" account for the Government sector shows how much the Government contributed to current production and current consumption over a period of time. "Current" is used in the integrated accounts to distinguish production and consumption in the current period from production and consumption in other periods. Net saving shown in the current account for the Federal Government sector measures the difference between current receipts and current expenditures. Current receipts include most taxes[24] and fees; some taxes such as the estate and gift taxes are not included in current receipts.[25] Current expenditures include goods and services purchased by the Government (including the cost of future retirement benefits for current Federal employees and depreciation expenses for Government fixed assets); social insurance payments; most grants to State, local, and foreign governments; and most subsidies to businesses. Both the Budget and the financial reports show the subsidy cost or the present value cost of Government loans and loan guarantees in the period in which the loan or loan guarantee is made. In contrast, the integrated accounts do not show these subsidy costs as expenditures in any period, but they do show in the current account all interest and fees the Government receives from the public for loans and loan guarantees.[26]

If net saving in the current account were positive, the balance would represent an amount that could be used to invest in capital assets or financial assets or to reduce debt. (Investment in capital is necessary to increase future production and future consumption.) Negative net saving reflects the amount that must be financed. Net saving is similar in some ways to both the deficit and the net operating cost because it reflects the difference be-

[19] Audits are conducted for more than 100 Executive Branch agencies, including the 24 agencies covered by the Chief Financial Officers Act of 1990 and an additional 11 significant Executive Branch entities. Audits are not conducted for some of the smaller entities that are included in the *Financial Report*.

[20] The other five sectors are households and nonprofit institutions serving households, nonfinancial noncorporate business, nonfinancial corporate business, financial business, and State and local governments.

[21] Current data can be found at *http://www.bea.gov/national/nipaweb/Ni_FedBeaSna/Index.asp*.

[22] The other three accounts are the other changes in volume account, the revaluation account, and the changes in balance sheet account.

[23] The NIPA data can be found at *http://www.bea.gov/iTable/iTable.cfm?ReqID=9&step=1* and the flow of funds data can be found at *http://www.federalreserve.gov/apps/fof/FOFTables.aspx*.

[24] Individual income taxes are reported in the integrated accounts when they are received by the Government, which is the same as in the budget and financial reports. By contrast, corporate income taxes are reported in the integrated accounts when they are accrued, whereas the budget and financial reports show these taxes when they are received by the Government.

[25] Estate and gift taxes are excluded from the current account because they are not taxes on current production or current income, but are instead taxes on the transfer of wealth. As capital transfers from the household sector to the government, these taxes are reflected in the capital account.

[26] Differences between the NIPAs and the budget are shown in Table 28-2 of this volume and shown in more detail at the NIPA website cited in footnote 23.

tween inflows and outflows of financial resources over a period of time.

The capital account for the Government sector shows how much the Government contributed to capital formation in the economy as a whole over a period of time. Net lending/net borrowing in the Government capital account reflects net saving plus net capital formation and capital transfers. Net capital formation is investment in fixed assets less depreciation, so the full cost of asset acquisitions is reflected in the capital account when assets are purchased. Capital transfers are transfers from the Government to another sector of the economy that are linked to the acquisition or disposal of capital assets. For example, capital transfers include capital grants to State and local governments (e.g., grants for highway construction) and capital subsidies to homeowners and businesses (e.g., subsidies for home acquisition or financial stabilization payments to Government sponsored enterprises). In addition, estate and gift taxes (which as noted above are not reflected in the current account) are reflected in the capital account. Because of the inclusion in the capital account of these additional items, net lending/net borrowing in the capital account is more similar to the deficit than to the net operating cost. A positive net lending/net borrowing balance represents an amount that is available for purchasing assets or retiring debt held by the public, and a negative amount represents an amount that must be borrowed.

The financial account for the Government sector shows the Government's financial activity for the year. Net lending/net borrowing in the Government financial account reflects the Government's borrowing needs for the year. It is the change in financial assets held by the Government less the change in debt held by the public, which is reported in the Budget. Theoretically, net lending/net borrowing in the financial account should be the same as net lending/net borrowing in the capital account because saving that is not spent on fixed assets should increase the amount of financial assets held by the Government. Similarly, borrowing that is used to purchase fixed assets leads to financial liabilities. However, because of the differences in when flows are recorded and other statistical differences, the net lending/net borrowing in the capital account is almost never equal to that of the financial account.

The assets, liabilities, and net worth shown in the balance sheet account for the Federal Government measure the value of the Government's financial and nonfinancial assets, liabilities, and net worth at the end of the calendar year. These measures are similar conceptually to the assets, liabilities, and net position reported on the balance sheet in the financial reports. One difference between the balance sheet account and the balance sheet in the financial reports is that reproducible fixed assets in the balance sheet account are measured at replacement cost whereas the analogous property, plant, and equipment on the balance sheet of the financial reports are measured at acquisition or historical cost. Other differences are the way in which employee retirement liabilities are measured and the exclusion from the balance sheet account of veteran benefits and environmental liabilities.

Conclusion

Budget and financial reporting each provide the public with detailed information on how the Government raised and spent financial resources. The budget uses a conceptual framework based primarily on cash transactions, as laid out in the 1967 *Report of the President's Commission on Budget Concepts*. The *Budget of the United States Government* is recognized and used widely both within and outside of the Government, and the budget process is the primary way that the Government reaches agreement on public policy goals and allocates resources among competing uses.

Financial reporting uses much the same underlying data as the budget to develop reports prepared in accordance with generally accepted accounting principles promulgated by the Federal Accounting Standards Advisory Board and adopted for Executive Branch agencies by the Office of Management and Budget. Financial reporting focuses on the results of financial operations, including the cost of operations, financial position, and financial condition of the Government. Together, budget and financial reporting provide complementary information and a comprehensive view of the Government's financial resources and responsibilities.

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